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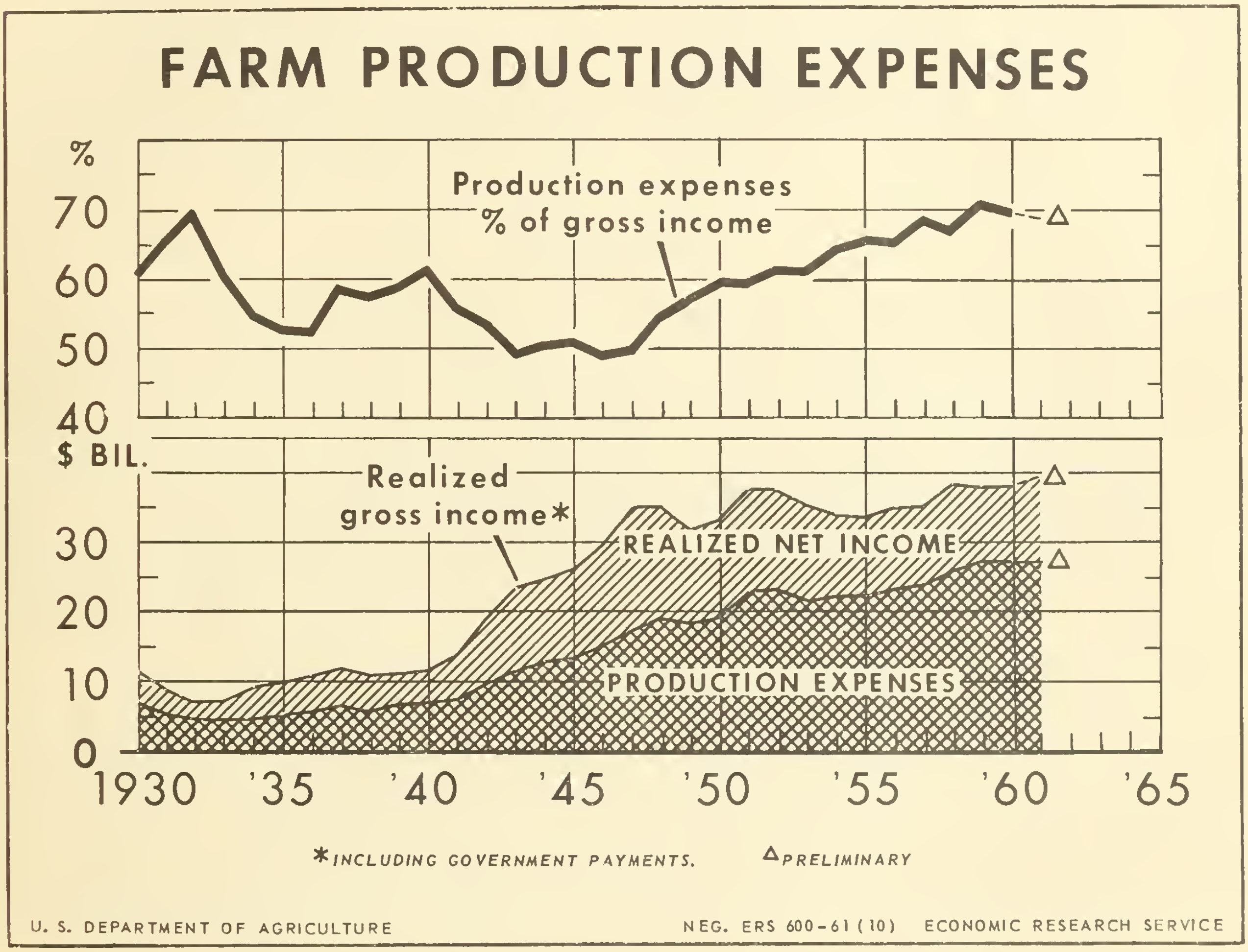
1962 OUTLOOK ISSUE
FOR RELEASE Nov. 16, A. M.

THE FARM COST SITUATION

Economic Research Service
UNITED STATES DEPARTMENT OF AGRICULTURE

FCS - 31 NOVEMBER 1961



Farm production expenses continue to increase. They now take a much larger share of gross farm income than they took at the end of World War II. In 1959, farm production expenses took 70 cents of each dollar of gross farm income. In the last 2 years, farm income has increased more than production expenses, and thus the percentage share of the latter has edged downward slightly.

THE FARM COST SITUATION

Approved by the Outlook and Situation Board, November 7, 1961

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THE HIGHLIGHTS

Farm production expenses are still going up, as they have in most years since the early thirties. They may reach a record high in 1961, or around $500 million above the $26.4 billion in 1960, and some further increases are expected in 1962. However, the percentage share of realized gross farm income taken by production expenses in 1961 seems likely to edge downward for the second consecutive year. This interruption of the postwar trend in the last 2 years is due to the fact that gross farm income has gone up faster than production expenses. The increased income over last year is due partly to larger Government payments and partly to higher cash receipts from farm marketings (table 1).

Cash receipts in 1961 from marketings of both crops and livestock are expected to be higher than last year. Although crop production may fall short of last year's volume by about 3-1/2 percent, marketings of crops, some of which came from the big 1960 production, are expected to nearly equal those of last year. Partly because of higher support prices for major crops, prices are averaging above those of 1960. Livestock marketings in 1961 are expected to be about 4 percent larger than those in 1960, primarily because of production increases in beef, dairy and poultry products, and prices of livestock and livestock products are expected to average nearly the same as last year.

Total farm production expenses are higher than last year chiefly because prices paid are continuing to creep upward, with an assist from a slightly larger volume of purchased inputs (table 2). However, some variations from this general pattern have taken place in several of the important components of this farm production input mix. A more detailed discussion of these changes is given in the sections that follow, but these are some of the highlights:

Table 1. - Gross farm income, production expenses, net income, and related indexes, specified years, 1950 to 1961

Item	1950-54 average	1955-59 average	1960	1961 1/			
				First quarter	Second quarter	Third quarter	Year 2/
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
Cash receipts from farm marketings	31.0	31.4	34.0	35.3	34.0	34.4	---
Nonmoney income and government payments	4.2	4.2	4.1	4.0	5.2	4.9	---
Realized gross farm income	35.2	35.6	38.1	39.3	39.2	39.3	---
Farm production expenses	21.4	23.9	26.4	26.7	26.7	26.9	---
Farmers' realized net income	13.8	11.7	11.7	12.6	12.5	12.4	---
Net change in farm inventories	.5	.3	.3	.3	.4	.4	---
Farmers' total net income	14.3	12.0	12.0	12.9	12.9	12.8	---
	Index numbers (1947-49=100)						
Volume of farm marketings:							
Livestock and livestock products	110	127	134	---	---	---	140
Crops	101	113	130	---	---	---	129
All farm products	106	121	133	---	---	---	135
Volume of purchased inputs	109	116	122	---	---	---	---
Productivity or output per unit of total input	103	116	125	---	---	---	125
Prices received by farmers:							
Livestock and livestock products	99	85	86	89	83	85	---
Crops	101	92	89	89	93	93	---
All farm products	100	88	88	90	87	88	---
Prices paid by farmers for commodities used in production, interest, taxes, and wage rates	111	114	120	122	121	121	---
Ratio of prices received to prices paid for production items (including interest, taxes, and wage rates)	90	77	73	73	72	73	---

1/ Dollar figures are seasonally adjusted at annual rates.
2/ Preliminary.

Table 2. - Goods and services used in production: Index numbers of cost rates and prices paid by farmers, United States

(1947-49=100)

Period or year	Commodities, interest, taxes, and wage rates	Commodities only	Feed	Livestock	Motor supplies	Motor vehicles	Farm machinery	Farm supplies	Building and fencing materials	Ferti-lizer	Seed	Wage rates
Average:												
1910-14------	39	42	43	29	---	---	42	42	34	70	41	23
1915-19------	59	63	68	44	---	---	54	70	48	101	62	34
1920-24------	65	61	60	33	---	---	65	77	57	101	60	42
1925-29------	65	61	58	44	94	49	64	73	54	92	60	43
1930-34------	50	47	39	25	74	49	61	61	47	75	40	28
1935-39------	49	52	45	36	74	56	64	60	49	71	49	28
1940-----------	49	52	43	41	71	56	64	62	49	69	42	30
1941-----------	53	55	47	46	74	59	65	66	53	69	40	35
1942-----------	60	62	57	54	79	64	69	73	58	76	54	46
1943-----------	68	69	68	61	81	67	71	82	60	81	68	61
1944-----------	73	73	75	58	82	73	73	86	64	83	77	74
1945-----------	77	74	74	63	82	75	74	87	66	84	79	83
1946-----------	83	81	87	72	84	77	76	88	72	85	81	90
1947-----------	95	95	102	90	92	90	87	95	93	93	93	97
1948-----------	104	105	109	111	103	100	100	100	104	102	109	103
1949-----------	101	100	89	99	105	110	113	105	103	105	98	100
1950-----------	104	104	91	116	106	110	116	105	105	101	94	99
1951-----------	115	115	102	141	111	118	125	112	117	106	96	109
1952-----------	117	116	108	118	112	123	129	119	118	109	109	117
1953-----------	111	108	98	85	114	122	130	116	118	110	99	120
1954-----------	111	108	98	87	116	122	131	112	118	110	93	118
1955-----------	110	106	91	85	117	123	131	110	120	109	98	120
1956-----------	111	106	89	79	119	127	136	111	125	106	86	124
1957-----------	114	108	87	89	124	136	143	112	129	107	89	130
1958-----------	117	111	86	109	123	142	149	112	130	107	88	134
1959-----------	119	112	86	109	124	147	156	111	133	106	84	142
1960-----------	120	112	84	103	125	145	160	112	133	106	87	147
July---------	120	111	84	97	---	145	---	---	---	---	---	147
Aug.---------	119	111	84	95	---	---	---	---	---	---	---	---
Sept.--------	119	111	84	97	126	143	161	112	132	107	88	---
Oct.---------	118	111	83	98	---	139	---	---	---	---	---	143
Nov.---------	118	111	81	101	---	---	---	---	---	---	---	---
Dec.---------	120	112	82	106	126	144	161	112	132	---	---	---
1961:												
Jan.---------	121	113	84	109	---	144	---	---	---	---	---	148
Feb.---------	122	113	85	108	---	---	---	---	---	---	85	---
Mar.---------	122	114	85	111	126	144	162	112	132	---	86	---
Apr.---------	122	113	84	109	---	---	---	---	---	107	86	150
May----------	122	112	86	102	---	---	---	---	---	---	86	---
June---------	121	112	86	97	125	143	163	112	132	---	---	---
July---------	121	111	86	94	---	143	---	---	---	---	---	151
Aug.---------	121	112	85	99	---	---	---	---	---	---	---	---
Sept.--------	121	112	85	99	126	143	164	112	132	107	89	---
Oct.---------	121	112	84	101	---	143	---	---	---	---	---	148

Statistical Reporting Service.

Total wages paid to hired farmworkers are above those paid in 1960, with slight increases in both number of workers and wage rates. A further rise in wage rates is expected in 1962, partly because of the impact of changes in minimum wage and other legislation.

The things farmers buy from industry have been making up a larger and larger proportion of the total inputs used in production. Farmers' purchases of machinery and equipment in 1961 may be moderately above those of last year, and prices paid are slightly higher.

Average prices of building and fencing materials, another major component of nonfarm inputs, have been steady in 1961, with little change in prospect for most items.

Prices of fertilizers are about the same as in 1960, but total nutrients used are up. Use of nitrogen fertilizers is substantially above that of last year, but consumption of phosphorous and potash appears to have declined from the amounts used in 1960. Prices for most pesticides remain steady, but consumption will probably continue to increase.

Most important among the farm-produced inputs are feed, seed, and feeder and replacement livestock. Price and volume changes of these items do not have the direct impact on the net income of the agricultural industry that nonfarm inputs have because, as transfers within the industry, they represent costs to some farmers and income to others. In addition, a large part of these inputs do not change hands at all. This is particularly true of feed, much of which is fed on the farm where it is produced.

Feed grain production in 1961 is below utilization for the first time since 1952, indicating a reduction of some 5 million tons in carryover stocks. The total feed supply per animal unit going into the 1961-62 feeding year is about 5 percent below the supply a year ago, and with higher supports, prices are expected to average a little higher than in 1960-61.

Supplies of seed are generally adequate, but demand is expected to continue strong and prices may average somewhat higher in the spring of 1962 than they averaged this year. Prices of feeder cattle and calves are currently above a year ago, and demand is expected to continue strong. Prices of feeder pigs and lambs and baby chicks this October were below those of a year ago.

Taxes, interest, and insurance are necessary overhead costs of operating a farm business. Farm taxes have risen substantially in recent years, and further increases are in prospect for 1962. Interest payments also are expected to continue to rise next year, with higher debts and a possible upturn in interest rates. Insurance rates are steady, but coverages are expected to continue to increase, resulting in higher total premium payments.

Real estate values strengthened between mid-1960 and last July, and are expected to edge further upward by mid-1962.

Preliminary estimates of costs and returns for eight types of farms, representative of important segments of U. S. agriculture, show that operating expenses per farm on four of these farms are expected to be higher in 1961 than last year, and higher per unit of production on six of the eight. Average prices paid in 1961 for all purchased production inputs are expected to be higher than in 1960 on five of these farms. Net farm incomes on five of the eight types of farms will be higher in 1961 than last year. On New Jersey poultry farms, however, net incomes are down this year because of lower egg prices. Severe drought in the Northern Plains was mainly responsible for the sharply reduced incomes on wheat farms in that area. In the Intermountain Region, cattle ranchers have suffered their third consecutive dry year, and net ranch incomes in 1961 are below those of last year.

FARM LABOR

Higher farm wage rates are expected in 1962. Indications are that the increase in the composite rate will be greater than the rise of 1 cent an hour in 1961. The national composite of all types of cash farm wage rates is expected to average 83 cents per hour this year (table 3). In addition to their cash wages, many hired farmworkers receive certain perquisites. These perquisites may be in the form of board, housing, and/or farm products, which on the average are equivalent in value to 20 percent of their cash wages.

On October 1 this fall, farm wage rates in the entire country averaged a little more than 84 cents per hour, nearly 3 percent higher than on October 1, 1960. This is the second quarter in which the rise in farm wage rates from a year earlier is greater than for the previous quarter, as shown by the tabulation that follows:

Date	Percentage increase from a year earlier
April 1, 1960	4.6
July 1, 1960	2.0
October 1, 1960	1.7
January 1, 1961	1.5
April 1, 1961	.8
July 1, 1961	1.6
October 1, 1961	2.8

It may be noted that this annual increase in farm wage rates on quarterly dates reached a low point last April 1, near the bottom of the 1960-61 recession. Hourly earnings of production workers in manufacturing have increased and are expected to average $2.33 per hour in 1961. Wage rates continue up despite a high rate of nonfarm unemployment. The seasonally adjusted percentage of unemployed workers in the labor force has been 6.8 or 6.9 percent each month since February. It averaged 5.6 percent during 1960.

Changes in farm wage rates in the year ending October 1, 1961, varied considerably among the different parts of the country. Regionally, the increases ranged from about 1 percent in the Middle Atlantic and East North Central to almost 4 percent in the East South Central. The rates were higher by 5 percent or more in three scattered States and were lower than a year ago in five States.

Table 3 . - Labor used on farms, wage rates, and related data, United States, 1940-61 1/

Year	Farm employment			Man-hours of farmwork	Farm output index 1947-49=100		Hourly wage rates	
	Total 2/	Family 2/	Hired		Total 3/	Per man-hour	Farmworkers 4/	Industrial workers 5/
	Thousands	Thousands	Thousands	Millions			Dollars	Dollars
1940----	10,979	8,300	2,679	20,467	82	67	0.17	0.66
1941----	10,669	8,017	2,652	20,043	85	71	.21	.73
1942----	10,504	7,949	2,555	20,581	96	78	.27	.85
1943----	10,446	8,010	2,436	20,298	94	78	.36	.96
1944----	10,219	7,988	2,231	20,164	97	81	.43	1.02
1945----	10,000	7,881	2,119	18,841	95	84	.48	1.02
1946----	10,295	8,106	2,189	18,082	98	91	.52	1.09
1947----	10,382	8,115	2,267	17,196	95	92	.55	1.24
1948----	10,363	8,026	2,337	16,833	104	104	.58	1.35
1949----	9,964	7,712	2,252	16,201	101	104	.56	1.40
1950----	9,926	7,597	2,329	15,137	101	112	.56	1.46
1951----	9,546	7,310	2,236	15,170	104	114	.62	1.59
1952----	9,149	7,005	2,144	14,425	108	126	.66	1.67
1953----	8,864	6,775	2,089	13,897	109	131	.67	1.77
1954----	8,639	6,579	2,060	13,107	109	140	.66	1.81
1955----	8,364	6,347	2,017	12,751	113	149	.68	1.88
1956----	7,820	5,899	1,921	12,132	114	158	.70	1.98
1957----	7,577	5,682	1,895	11,379	114	168	.73	2.07
1958----	7,525	5,570	1,955	11,103	124	188	.76	2.13
1959----	7,384	5,459	1,925	10,789	125	195	.80	2.22
1960----	7,118	5,249	1,869	10,310	127	205	.82	2.29
1961 6/-	7,018	5,125	1,893	10,093	126	210	.83	2.33

1/ Data on farm employment and farm wage rates are from the Statistical Reporting Service, U. S. Dept. of Agriculture.

2/ Includes farm operators and members of their families.

3/ Net calendar-year production for eventual human use.

4/ Composite or hourly equivalent of all types of rates, excluding perquisites.

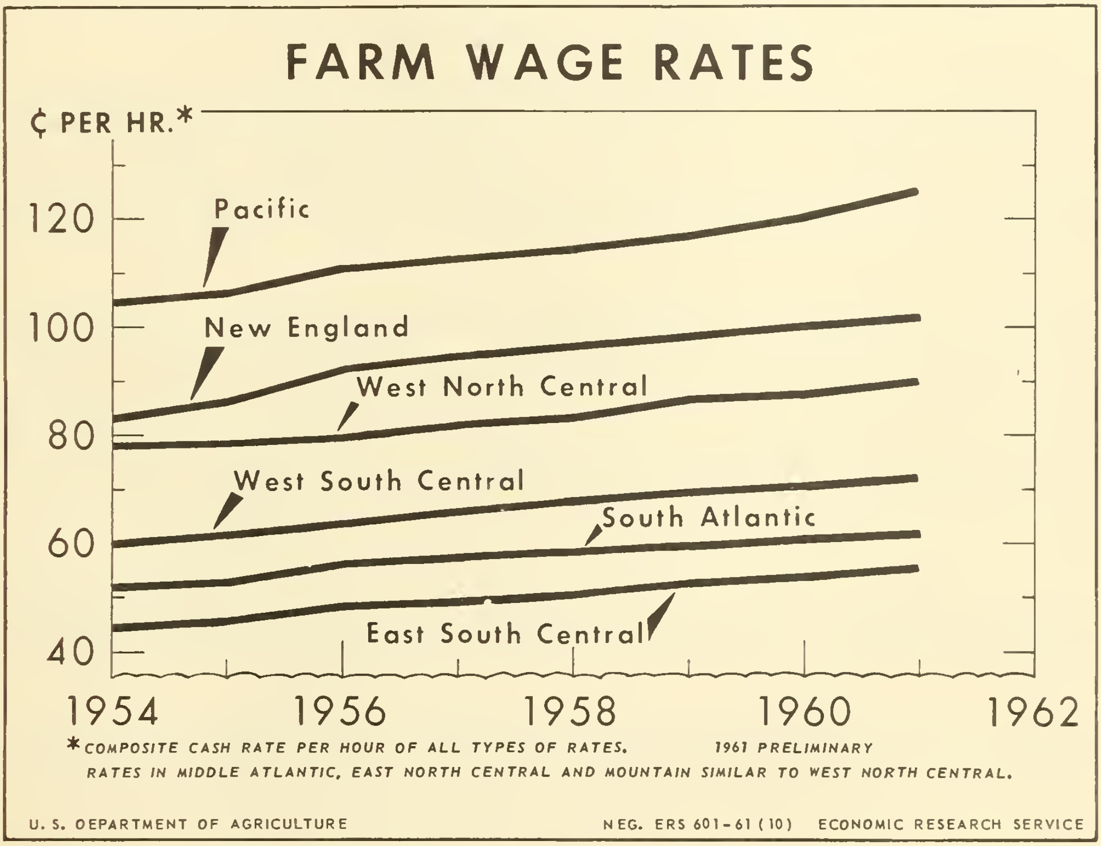
5/ Average hourly earnings of production workers in manufacturing. From the Bureau of Labor Statistics, U. S. Dept. of Labor. Figure for 1961 is average of first 9 months.

6/ Preliminary. Estimates of farm output and man-hours based on October 1961 "Crop Production" report and other releases of the Statistical Reporting Service, U. S. Dept. of Agriculture.

Regional differences in the upward climb in farm wage rates and in the actual level are also apparent in the annual data (fig. 1). The greatest rise in the composite rate since 1954 -- 21 cents per hour -- occurred in the Pacific Region where they were already the highest in the Nation. Farm wage rates in this region will average about $1.25 per hour in 1961. Rates paid hired farmworkers in the southern regions remain lower than in other parts of the country.

Three pieces of legislation enacted by the First Session of the 87th Congress will affect, either directly or indirectly, farm wage rates or labor costs on farms. This legislation (1) raises the nonfarm minimum wage and extends the coverage of minimum wages to additional workers, (2) increases the contribution rates for social security, and (3) tightens the requirements for employing contract workers brought in under the Mexican farm labor program.

Effective September 3, 1961, the minimum wage for those workers previously covered by the Fair Labor Standards Act was raised from $1.00 to $1.15 per hour. Coverage was also extended to workers in certain large retail, construction, and service enterprises, with the minimum wage for the newly covered workers set at $1 per hour. Provisions of the original act and amendments do not apply to farmworkers, but indirectly the legislation affects farm wage rates. In some States, however, legislation or regulations provide for minimum wages under certain conditions for some farmworkers, such as women and youth of specified ages.



*COMPOSITE CASH RATE PER HOUR OF ALL TYPES OF RATES. 1961 PRELIMINARY
RATES IN MIDDLE ATLANTIC, EAST NORTH CENTRAL AND MOUNTAIN SIMILAR TO WEST NORTH CENTRAL.

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 601-61 (10) ECONOMIC RESEARCH SERVICE

Figure 1

The 1961 amendments to the Social Security Act provide for raising on January 1, 1962, the tax or contribution rates to 3-1/8 percent of wage payments for both employer and employee. While the increase in rate is only one-eighth of 1 percent for each, it will increase the cost of hired farm labor that is covered by old age and survivors insurance.

The law that provides for admission of Mexican workers for farmwork under contract was extended until December 31, 1963. However, the extension tightened the requirements for obtaining Mexican workers and reduced the duties they can perform. For example, Mexican workers are prohibited from employment in other than temporary or seasonal occupations and from operating or maintaining power-driven, self-propelled planting, cultivating, or harvesting equipment, except when authorized by the Secretary of Labor to avoid undue hardship.

For the second consecutive year, considerably fewer foreign workers than in the previous year have been contracted or admitted for temporary work on U. S. farms. By August 31, 1961, about 156,000 had been contracted. According to reports of the U. S. Department of Labor, this was about 12 percent fewer workers than for the same period in 1960. In mid-September of this year, 155,700 foreign workers were temporarily employed on farms. At that time, they comprised 5.5 percent of all hired farmworkers. In some States, the proportion of foreign workers was much higher than this national figure.

NONFARM INPUTS

Farm Power and Machinery

Wholesale prices of farm machinery rose about 2 percent in the year ending July 1961 (fig. 2). Prices paid by farmers for farm machinery went up by the same percentage in this period. On the other hand, farmers paid slightly lower prices for motor vehicles in mid-1961 than 12 months before. Prices paid for gasoline, tires, and diesel fuel through 1961 may be about the same or only slightly above those for 1960.

Farmers' expenditures for production equipment in 1961 may be moderately above 1960, partly because of higher incomes. Realized gross farm income through the third quarter of 1961 averaged nearly 4 percent above the same period in 1960. For the year as a whole, it is expected to total about $1.5 billion above the 1960 figure of $38.1 billion. The value of domestic shipments of equipment for farm use is expected to be around 10 percent higher than last year, but this is still about 20 percent below 1959.

Wheel-tractor production in 1961 probably will total about 195,000 units, or a third higher than in 1960 (table 4). However, curtailed production in 1960 brought about a one-third reduction in inventories, which have remained near 130,000 units since January 1st.

From a longer run viewpoint, wholesale prices of tractors, farm machinery, and equipment as a group went up about 28 percent in the decade ending with 1960.

Table 4. - Wheel tractors: Production, inventories, estimated average maximum belt horsepower, and percentage distribution by type of fuel used, United States, specified years, 1940 to 1961 1/

Year	Production	Inventories, Jan. 1	Average maximum belt horsepower	Fuel type		
				Gasoline	Diesel	Liquefied petroleum gas
	Thousands	Thousands	Horsepower	Percent	Percent	Percent
1940	249	---	26	2/	2/	2/
1945	244	---	27	2/	2/	2/
1950	497	---	29	2/	2/	2/
1951	564	---	29	2/	2/	2/
1952	415	---	31	94	6	3/
1953	390	---	35	93	6	1
1954	246	---	39	87	11	2
1955	330	---	40	84	13	3
1956	215	---	40	82	13	5
1957	229	---	45	78	16	6
1958	241	---	46	72	23	5
1959	260	---	46	65	30	5
1960	146	179	48	54	42	4
1961	4/ 195	130	5/ 52	5/ 49	5/ 48	5/ 3

1/ Based on data published in "Current Industrial Reports," U. S. Bureau of the Census. (Domestic Production).
2/ Not available.
3/ Included with gasoline.
4/ Projected annual production estimate based on data through August.
5/ Average of data through August.

The estimated average maximum belt horsepower of tractors produced for farm use in 1961 was double that for those produced in 1940, and more than 8 percent higher than the 1960 average. About 48 percent of the 1961 production will be the higher priced diesel-powered units, as compared with 42 percent in 1960 and only 6 percent in 1952.

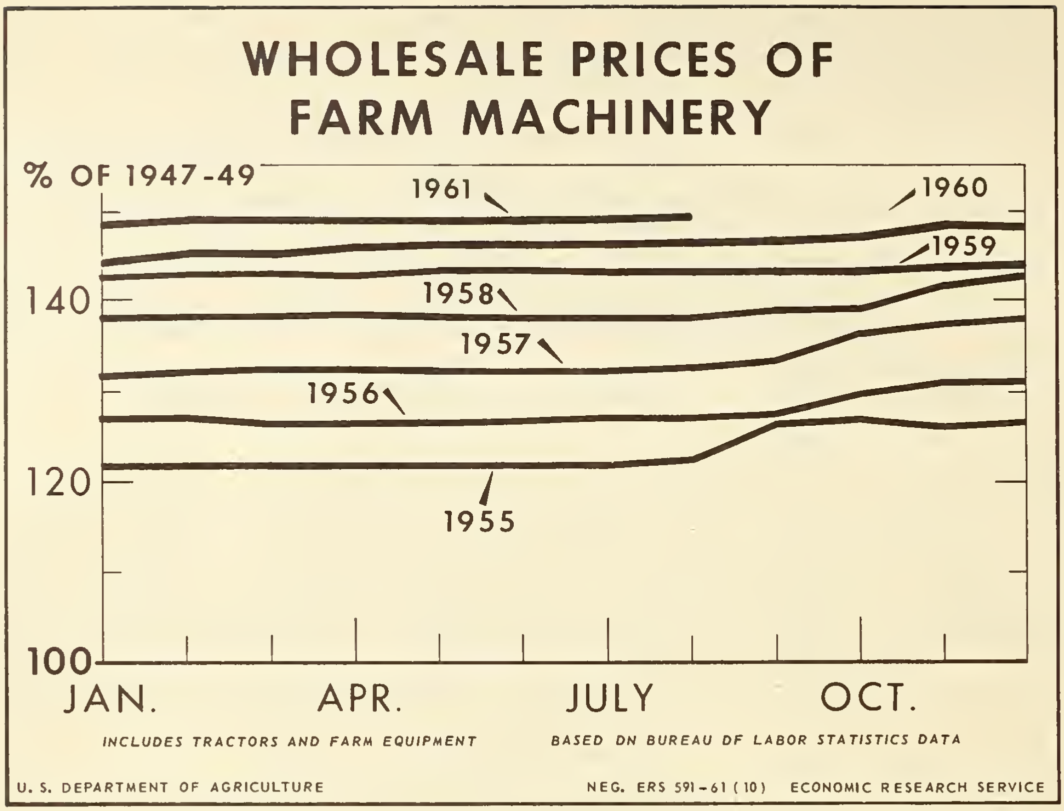


Figure 2

Further changes in the composition of the farm equipment industry's output may be expected to continue. New tractors are now bought primarily for replacement purposes. Even though many of the older machines are kept for secondary use, the rate of increase in numbers of tractors on farms appears to be slowing down (table 5). Combines and cornpickers also may be nearing a peak in numbers. On the other hand, considerable further increases may be expected in numbers of field forage harvesters and pickup balers on farms. A sizable untapped market remains for bulk milk tanks, pipeline milkers, and a variety of equipment required in the changeover from stanchion barns to milking parlor setups.

Gross capital expenditures for motor vehicles and farm machinery have increased greatly since their depression lows of the early thirties, reflecting the continued rapid mechanization of agriculture, as well as sizable price increases (fig. 3).

The rise in farm capital expenditures for motor vehicles and farm machinery, however, has been anything but a steady one. In the early thirties, farmers conserved scarce cash by patching up their old machines, and buying second-hand machinery whenever possible. During the middle and late thirties, expenditures rose more rapidly than cash receipts as depression-deferred purchases were made up. Despite the high farm incomes and scarce labor in the World War II period, purchases were severely limited by short supplies of both motor vehicles and farm machinery. In the immediate postwar period, manufacturers reconverted from production of military hardware, and supplies

Table 5. - Power and machinery: Number of units on farms, price indexes and expenditures for repair and operation of motor vehicles and machinery, United States, 1940-61

Year	Number of units on farms Jan. 1			Farmers' expenditures for repair and operation of motor vehicles and machinery			Index of prices paid by farmers 1947-49=100		
	Workstock 3 years old and over	Tractors 1/	Motor-trucks	Petroleum fuel and oil 2/	Other motor vehicle operation 3/	Repairs on other machinery	Motor supplies 4/	Farm machinery	Motor vehicles 5/
	Thous.	Thous.	Thous.	Mil. dol.	Mil. dol.	Mil. dol.			
1940------	12,209	1,567	1,047	350	229	77	71	64	56
1945------	10,598	2,354	1,490	544	497	263	82	74	75
1946------	9,959	2,480	1,550	643	536	277	84	76	77
1947------	9,176	2,613	1,700	823	635	318	92	87	90
1948------	8,490	2,821	1,900	1,009	729	379	103	101	100
1949------	7,811	3,123	2,065	1,134	746	386	105	113	110
1950------	7,181	3,394	2,207	1,192	767	352	106	116	110
1951------	6,522	3,678	2,310	1,245	914	376	111	125	118
1952------	5,716	3,907	2,410	1,283	998	421	112	129	123
1953------	5,027	4,100	2,520	1,337	988	409	114	130	122
1954------	4,451	4,243	2,610	1,366	941	395	116	131	122
1955------	3,992	4,345	2,701	1,414	993	382	117	131	123
1956------	3,653	4,515	2,800	1,456	1,161	388	119	136	127
1957------	3,337	4,600	2,900	1,507	1,265	392	124	143	136
1958------	3,121	4,685	2,985	1,508	1,287	422	123	149	142
1959------	2,894	4,750	3,060	1,545	1,357	468	124	156	147
1960------	2,785	4,770	3,110	1,572	1,365	431	125	160	145
1961------	---	6/ 4,780	7/	---	---	---	8/ 126	8/ 163	9/ 143

1/ Excludes garden tractors. 2/ All gasoline and other petroleum fuel used in the farm business. 3/ Operating costs exclusive of gasoline and oil (for automobiles in the period 1942-45, 50 percent of costs, 40 percent thereafter). 4/ Includes fuel, oil, grease, tires, tubes, batteries and spark plugs. 5/ Includes tractors, automobiles and motortrucks. 6/ Preliminary. 7/ Insufficient information for estimates until final results are available from the 1959 Census of Agriculture. 8/ January-September average. 9/ January-October average.

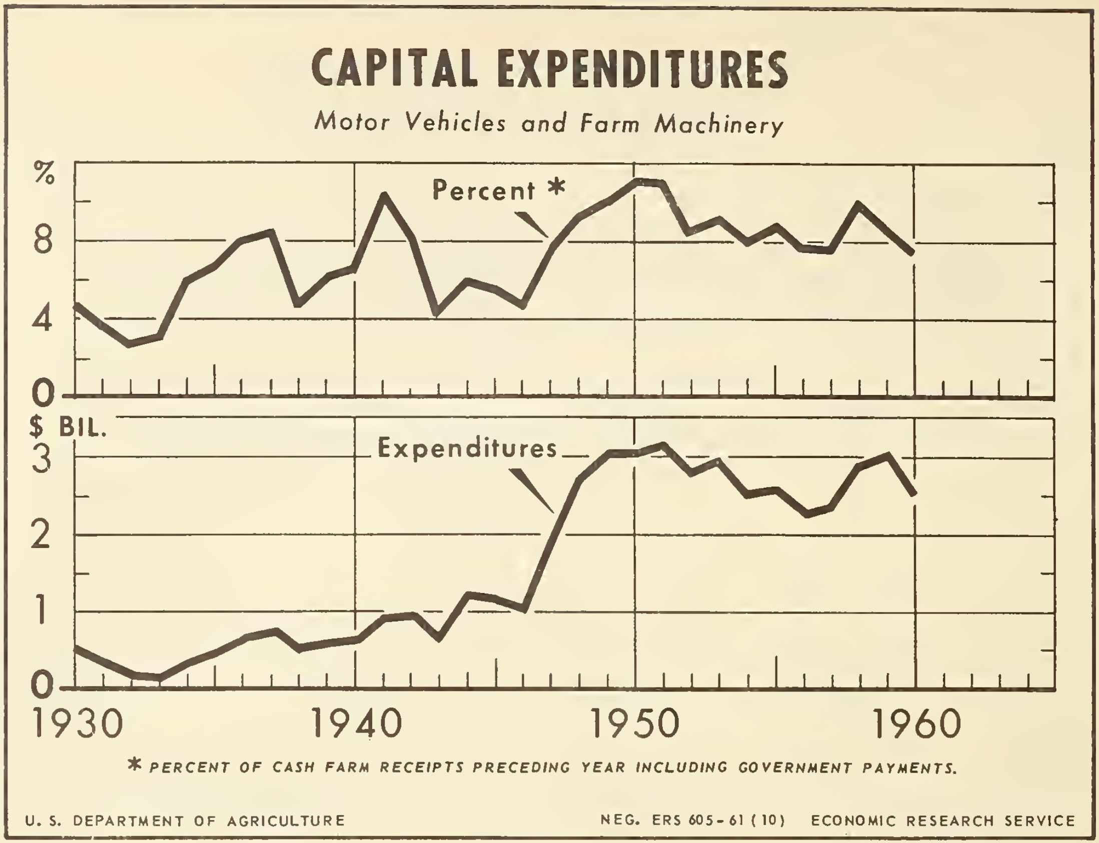


Figure 3

became more adequate. Farm earnings remained high, and farmers substituted machinery for scarce labor at a record pace. Their capital expenditures for these items tripled in 3 years. Then, with their most pressing needs met and with the downward trend of farm incomes in the middle and late fifties, farmers have tended to reduce their capital expenditures for farm power and machinery.

Buildings, Fences, and Other Land Improvements

Farm outlays for building and fencing materials in 1961 will be slightly higher than last year. Some further increase may take place in 1962, partly because of the more favorable farm income picture.

The general level of prices paid by farmers for building and fencing materials has changed very little in the last 3 years, and little change may be expected in 1962.

Prices paid for lumber and steel products, such as galvanized steel roofing, and woven wire, are slightly below those of 1960. However, prices of some masonry products, such as concrete and cinder blocks, which had been lagging behind other building-material prices since the end of World War II, have increased steadily in more recent years. This may be expected to push building costs up, particularly in specialized dairy areas where masonry construction is widely used.

The total farm market for building and fencing materials varies greatly from year to year. Total farm outlays for new construction, major improvements, maintenance, and repair dropped as low as $140 million in 1932, and reached a peak of about $2.6 billion in 1952 (fig. 4). Because of the postponable nature of these expenditures, farmers tend to defer them when incomes are low, and to make up for it when earnings are high.

Expenditures for building and fencing materials rose gradually during the thirties, both in total and in relation to improving cash farm incomes. But these outlays did not increase much with the high incomes of the early forties, primarily because of shortages of materials and skilled labor. With the end of World War II came an easing of the supply situation, and farmers' building and fencing expenditures rose rapidly to about 7 or 8 percent of the cash farm receipts of the preceding year. Other factors in this rise were the long-deferred need for better buildings, particularly from the labor-saving standpoint, the very pressing need for maintenance and repair work that had been postponed for years, and the higher prices of materials and labor. As the more acute of these needs were met and the farm earnings picture became less bright in the mid-fifties, farmers' expenditures for building and fencing materials drifted downward.

In addition to the annual investments being made in farm buildings and fences, landowners also continue to make substantial investments in irrigation, drainage, conservation, and other land improvements. According to the 1955 Farm Expenditures Survey, such outlays totaled about a half billion dollars in that year. Various types of water facilities for irrigation and to provide

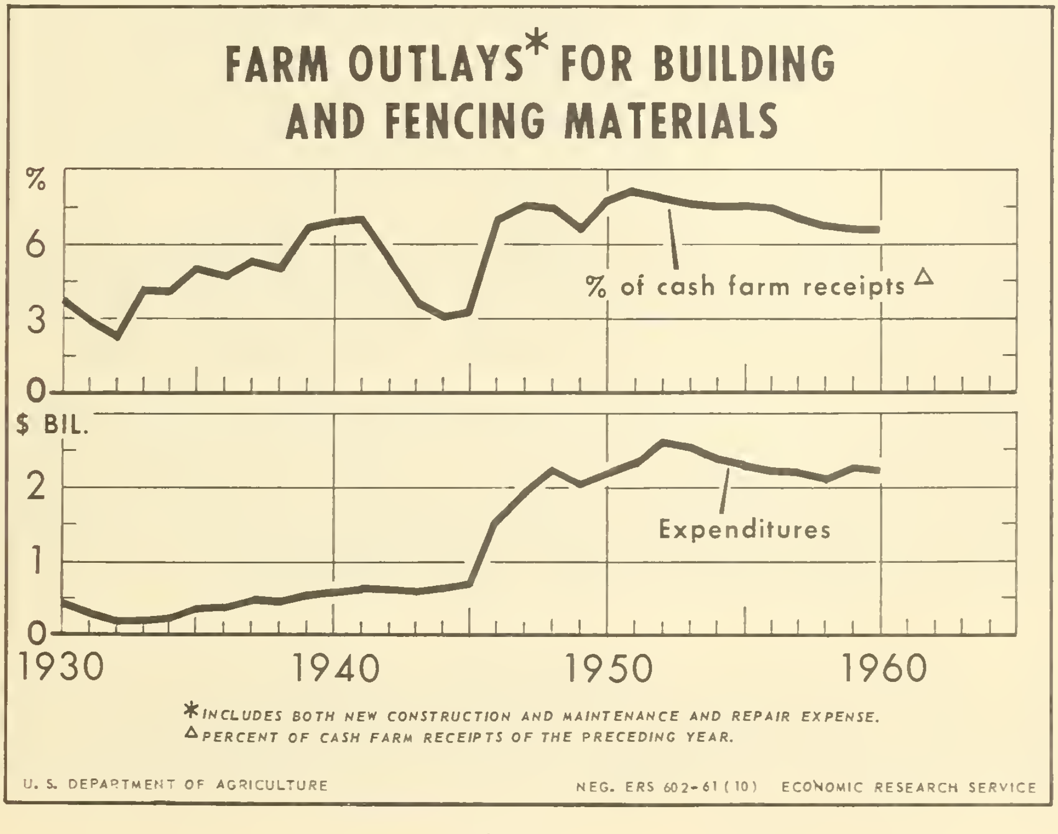


Figure 4

water for family and livestock use represented the largest single category of such investments. Drainage and land clearing were other important types of land improvements.

Considerable expenditures of public capital that add to the productive value of farmlands are being made also. Although most such expenditures are made in connection with various Federal irrigation, flood-protection, flood-control, and conservation projects, other levels of government make investments that indirectly add to market values of farm real estate. Highways, schools, and other community facilities are the major examples of such expenditures that are financed partly from taxes levied on farm real estate. Although no comprehensive estimates are available of the total amount of such public investments, their cumulative effects on market values of real property are significant.

Fertilizer

Prices paid by U. S. farmers for fertilizer this year are about the same as last spring and a year ago, but they are 7 or 8 percent above the 1947-49 average.

On the supply side, activity in plant expansion and new construction continues to increase. Movement of fertilizers this fall is ahead of that in the preceding year, and the trend is expected to continue through the year ending June 30, 1962. Projects announced by the industry will expand total annual capacity to approximately 5,880,000 tons of NH_3 by January 1, 1962, and to about 6,500,000 tons in the following year. Wet-process phosphoric acid capacity (primarily for fertilizer use) is scheduled by 1962 to increase 46 percent over the January 1, 1960, level of 1,348,000 tons of P_2O_5. Also by 1962, concentrated superphosphate capacity will be increased more than 25 percent and ammonium phosphate capacity will be more than double that existing on January 1, 1960. A new potash facility under construction will expand present capacity by about 25 percent. Explorations toward further expansion in potash capacity are taking place in Utah and in New Mexico.

The use of principal plant nutrients for the year ended June 30, 1961, has increased over the preceding year. Preliminary estimates for 21 States (which together account for nearly 70 percent of total U. S. consumption) indicate an increase of from 5 to 7 percent for 1961 over last year.

Use of the principal nitrogen-carrying materials commonly used for seasonal application has increased markedly. These are the materials that result in greatest yield response, particularly when other yield-influencing factors are favorable. Current estimates indicate a probable increase of about 20 percent in the use of nitrogen (N). Consumption of P_2O_5 and K_2O seems to have declined compared with the 1960 crop season.

Pesticides

Manufacturers' quotations of wholesale prices for most pesticidal chemicals remain steady (table 6). Among the exceptions are quotations for DDT, which declined in 1961, and for copper sulfate, which shifted up and down with the changing copper market. Little change in pesticide prices is expected in the near future.

Table 6. - Average weekly quotations of wholesale prices of 21 pesticidal materials, United States, 1959, 1960, and January-September 1961 1/

Material	Price per pound		
	1959	1960	1961 (Jan. 1-Sept. 30)
	Cents	Cents	Cents
1961 price higher than 1960,			
Endrin	338.5	276.4	277.0
1961 price same as 1960:			
Aldrin	95.5	99.0	99.0
Chlordane	65.0	65.0	65.0
Cube root	24.5	21.0	21.0
2, 4-D	40.0	40.0	40.0
DDD (or TDE)	46.0	46.0	46.0
Dieldrin	185.0	185.0	185.0
Lead arsenate	29.5	30.5	30.5
Malathion	89.0	89.0	89.0
Nicotine sulfate	120.0	120.0	120.0
Parathion	84.0	84.0	84.0
Pyrethrum (1.3% flowers)	68.8	71.0	71.0
Sodium TCA	35.0	35.0	35.0
2,4,5-T	118.0	118.0	118.0
TEPP	75.0	75.0	75.0
Toxaphene	22.0	22.0	22.0
Warfarin	195.0	195.0	195.0
1961 price lower than 1960:			
Copper sulfate	12.2	12.9	12.3
Copper sulfate, tribasic	28.0	29.6	28.9
DDT	23.0	23.0	22.1
Lindane	240.0	216.6	213.0

1/ Calculated from weekly quotations in the Oil, Paint, and Drug Reporter.

A cold, late spring in areas of heavy consumption delayed pesticide sales generally in 1961. The June drought in the Northern Plains favored heavy grasshopper populations. Insecticide use for boll weevil control on cotton was normal or slightly lighter than usual, despite heavier usage in parts of Texas.

Sales of insecticides in Louisiana, the only source of regular reports, have shown a steady rise since 1957 for DDT, endrin, "Guthion," and toxaphene, while sales of benzene hexachloride and calcium arsenate have declined to only 20 or 30 percent of their 1957 volume. Although many newer pesticides are gaining in popularity because of certain favorable characteristics, the list of insecticides and fungicides most favored by growers seems to be stabilizing somewhat.

FARM-PRODUCED INPUTS

Feed

For the first time since 1952, production of feed grains and other concentrates is estimated to be less than utilization. Based on the October crop report, utilization in 1961-62 should exceed production in 1961 by about 5 million tons, reducing the carryover of feed grains into 1962-63 to about 79 million tons. The decline in production was caused chiefly by the reduction in acreage of corn and sorghum grains under the 1961 Feed Grain Program.

The total supply of all concentrates for 1961-62 is estimated at 252 million tons, down 7 million tons, or nearly 3 percent, from the record supply in 1960-61 (table 7). With a 2-percent increase in grain-consuming animal units expected, the supply available amounts to 1.48 tons per animal unit, nearly 5 percent less than that of last year.

The supply of feed grains (corn, sorghum grain, oats, and barley) in 1961-62 will total about 222 million tons, based on the October 1 crop report, 7 million tons or 3 percent less than in 1960-61. Total feed grain production is estimated to be 137 million tons, or more than 17 million tons below the record output in 1960. A substantial part of the prospective reduction is offset by a 13-percent increase in carryover stocks, October 1, 1961. The carryover into 1961-62 is expected to total about 84 million tons.

The corn supply for 1961-62, including only corn harvested for grain, is estimated to be about 5,526 million bushels, of which about 3,527 million bushels was produced in this year's crop and 1,999 million bushels is carryover from previous years. The corn crop this year is 364 million bushels, or about 9 percent less than last year, and was harvested from 13 million fewer acres. About 42 percent of the corn crop is eligible for price support. The average yield of 60.5 bushels is 11 percent above the previous record high in 1960. Corn disappearance will exceed production by 100 to 150 million bushels.

Because of heavy participation in the 1961 Feed Grain Program, the acreage of sorghum grains was reduced by about 29 percent. Production is about 21 percent less than in 1960. However, because of an expected large carryover of 701 million bushels, the total supply is only 1 percent smaller than for 1960-61.

The 1961 oat crop, 994 million bushels, is the smallest crop since 1939. The carryover of about 324 million bushels, plus an allowance of 5 million bushels of imports, gives a total supply of 1,323 million bushels. Utilization will likely exceed 1961 production, and a smaller carryover into the 1962-63 marketing year is in prospect. The 1961 oat acreage was the smallest since 1885, and yields were reduced by drought in the Northern Plains.

Table 7. - Supply and utilization of feed concentrates, and livestock fed, United States, 1937-61 1/

Year beginning Oct. 1	Supply				Utilization		Stocks of feed grains, end of year 3/	Number of grain-consuming animal units	Per grain-consuming animal unit		
	Stocks of feed grains, beginning of year	Production of feed grains	Other feed concentrates 2/	Total supply	Seed, human food, industry, and export	Concentrates fed to livestock			Production of feed grains	Supply of concentrates	Concentrates fed
	Million tons	Million tons	Million tons	Million tons	Million tons	Million tons	Million tons	Million units	Tons	Tons	Tons
Average:											
1937-41	16.9	92.2	19.9	129.0	12.1	97.9	19.9	153.1	0.60	0.84	0.64
1942-46	14.7	109.2	29.4	153.3	14.8	124.9	13.5	176.9	.62	.87	.71
1947-51	22.2	108.8	25.5	156.5	17.1	115.9	23.5	162.2	.67	.96	.71
1952-56	32.2	114.7	27.1	174.0	18.4	117.7	38.0	160.7	.71	1.08	.73
1957-61	66.9	143.6	29.7	240.2	24.9	142.4	73.2	166.0	.86	1.45	.86
1952	20.1	111.0	27.9	159.0	16.9	114.0	27.0	158.9	.70	1.00	.72
1953	27.0	108.3	27.7	163.0	16.0	116.5	31.7	156.9	.69	1.04	.74
1954	31.7	114.1	26.1	171.9	18.5	116.3	39.1	161.6	.71	1.06	.72
1955	39.1	120.8	26.9	186.8	20.6	121.9	43.3	165.3	.73	1.13	.74
1956	43.3	119.3	27.0	189.6	19.9	119.7	48.9	160.9	.74	1.18	.74
1957	48.9	132.4	28.5	209.8	22.9	129.1	59.1	159.9	.83	1.31	.81
1958	59.1	144.1	29.8	233.0	25.7	140.1	67.7	167.7	.86	1.39	.84
1959	67.7	149.6	29.9	247.2	25.2	145.2	74.6	165.7	.90	1.49	.88
1960 4/	74.6	154.6	29.9	259.1	25.2	149.7	84.4	166.6	.93	1.56	.90
1961 5/	84.4	137.2	30.6	252.2	25.6	148.0	79.0	169.9	.81	1.48	.87

1/ U. S. Agricultural Marketing Service, Grain and Feed Statistics.

2/ Includes byproduct feeds, imported grains, and domestic wheat and rye fed.

3/ Stocks do not necessarily equal supply less feed and other utilization because of a difference in the crop year for different feed grains.

4/ Preliminary.

5/ Preliminary estimates based on indications in October 1961.

The barley supply for 1961-62 is estimated at 552 million bushels, 9 percent below 1960 and 7 percent below the 1955-59 average. The smaller supply is due largely to an 11-percent reduction in the size of the crop. Crop prospects in the Northern Plains were severely reduced by drought. Utilization is expected to exceed production with a lower carryover into 1962-63.

The 1961 soybean crop, at 710 million bushels, is the largest of record and 29 percent above the 1960 crop. However, the carryover into 1961-62 was only 5,990,000 bushels, or a fourth of the 23-million-bushel carryover a year earlier. Thus, a total supply of about 716 million bushels is indicated. Exports are expected to be above 1960-61, setting a new record. Crushing is also expected at a record level, about 5 percent above 1960-61. About 10 million tons of soybean meal would be produced, compared with 9.5 million tons in 1960-61.

Production of cottonseed meal will be about the same as in 1960-61, or 2.5 million tons. The 1961 flaxseed crop is down about 20 percent from a year ago. However, with much smaller exports expected, almost as much should be available for crushing as a year ago. The supply of peanut meal and copra meal may be down a little from 1960-61.

Feed grain prices in 1961-62 are expected to average a little above the 1960-61 level. Price supports for 1961 crops of each of the four feed grains are above the 1960 levels, and production is down from the record output of last year. The 1961 support price for corn is $1.20 per bushel, 14 cents above the 1960 support level. In 1960-61, prices received by farmers for corn averaged $1.00 per bushel, 6 cents below the support price. While "free" supplies for 1961-62 are below those in 1960-61, prices will also be influenced by sales of CCC corn. While corn prices in 1961-62 are expected to average a little above the 1960-61 level, they will probably fall further below the 1961 support of $1.20 than the 6-cent difference in 1960-61. Corn prices normally reach their seasonal low in November and advance to July.

Average prices of feed on October 15, 1959, 1960, and 1961, are given in table 8, as is a percentage comparison between the 1960 and 1961 prices on that date. Most of the prices were the same as a year ago, or only 1 or 2 percent higher. However, soybean meal and oats were 7 percent higher than a year ago, and sorghum grain and barley 13 and 18 percent higher, respectively.

At the national level, feed inputs per unit of production have decreased for sheep, milk, grain-fed cattle, turkeys, eggs, and broilers (fig. 5). Some increase is shown for hogs, other cattle, and chickens raised.

Gross returns per dollar of feed cost have declined from a year ago for all livestock enterprises except beef raising (table 9). Gross returns per dollar of feed cost for beef raising increased 5 percent. Very significant declines occurred in gross returns per dollar of feed cost for poultry and eggs: turkeys 29 percent, broilers 18 percent, and eggs 16 percent. Declines of 5 percent or less were noted for milk, butterfat, hogs, and sheep raising.

Table 8. - Average prices of feed, United States, Oct. 15, 1959, 1960, and 1961

Item	Unit	1959	1960	1961 1/	1961 as percentage of 1960
		Dollars	Dollars	Dollars	Percent
Prices received by farmers:					
Corn	Bushel	0.99	0.99	1.02	103
Oats	do.	.65	.60	.64	107
Barley	do.	.87	.84	.99	118
Sorghum grain	Cwt.	1.48	1.42	1.61	113
Hay, baled	Ton	20.50	20.20	20.20	100
Prices paid by farmers:					
Mixed dairy feed, 16 percent protein	Cwt.	3.58	3.56	3.57	100
Laying mash	do.	4.36	4.26	4.30	101
Broiler mash	do.	4.69	4.55	4.55	100
Cottonseed meal, 41 percent protein	do.	3.90	3.96	4.06	103
Soybean meal, 44 percent protein	do.	4.12	3.96	4.25	107
Bran	do.	2.76	2.77	2.81	101
Middlings	do.	2.93	2.85	2.89	101
Alfalfa hay, baled	Ton	30.60	31.00	31.00	100
Average value of concentrate ration fed to poultry and milk cows: 2/					
Fed to poultry	Cwt.	3.32	3.28	3.33	102
Fed to milk cows, in milk-selling areas	do.	2.85	2.89	2.89	100
Fed to milk cows, cream-selling areas	do.	2.36	2.38	2.38	100

1/ Preliminary.

2/ Value of corn, oats, oilmeal, millfeed, commercial mixed feed, and so on, which make up 100 pounds of "grain" ration.

Table 9. - Gross returns from livestock enterprises per $1.00 of feed cost based on prices October 15, United States, 1959-61 1/

Livestock enterprise or product	Oct. 15, 1959	Oct. 15, 1960	Oct. 15, 1961	1961 as percentage of 1960
	Dollars	Dollars	Dollars	Percent
Eggs	1.43	1.90	1.59	84
Broilers	1.14	1.24	1.02	82
Turkeys	1.43	1.64	1.16	71
Milk	2.27	2.27	2.24	99
Butterfat	1.48	1.56	1.49	96
Hogs	1.53	2.03	1.93	95
Sheep-raising	1.36	1.26	1.23	98
Beef-raising	2.36	2.10	2.20	105
	Index numbers (1947-56=100)			
Eggs	80	106	89	---
Broilers	79	86	70	---
Turkeys	82	94	66	---
Milk	110	110	109	---
Butterfat	105	111	106	---
Hogs	90	119	114	---
Sheep-raising	93	86	84	---
Beef-raising	133	118	124	---

1/ Quantities of feed used in calculating the cost of feed were as follows:

Eggs (per dozen)----------------------7 lbs. poultry ration
Broilers (per lb.)--------------------2.6 lbs. broiler mash
Turkeys (per lb.)---------------------4.5 lbs. poultry ration
Milk (per cwt.)-----------------------31 lbs. concentrates, 110 lbs. hay equivalent
Butterfat (per lb.)-------------------7.75 lbs. concentrates, 27 lbs. hay equivalent
Hogs (per cwt.)-----------------------7.5 bu. corn, 20 lbs. soybean meal
Sheep-raising (per cwt.)--------------2 bu. corn, 1,500 lbs. hay equivalent
Beef-raising (per cwt.)---------------3 bu. corn, 600 lbs. hay equivalent

In order to estimate and include costs of harvested forages and pasture for the above livestock enterprises, feeds from these sources were converted into hay equivalents and the price received by farmers for "all hay" was applied. It was assumed that feed nutrients from pasture cost one-fourth as much as the nutrients in hay. About one-third of the feed consumed by sheep is allotted to the production of wool. Basic data on amounts of feed fed are from U. S. Department of Agriculture, Production Research Report No. 21.

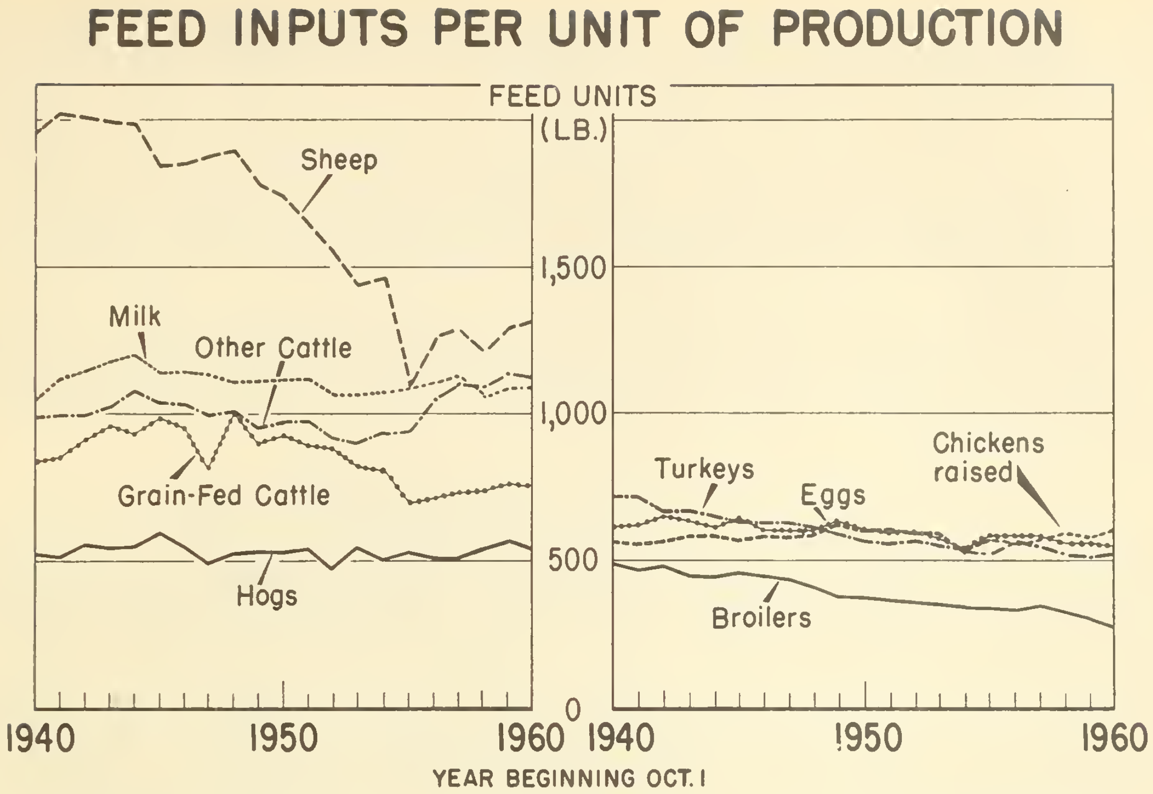


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Figure 5

Seed

The continuation of the current Feed Grain Program and a new Wheat Program for the 1961-62 season will mean a pressing demand on such seeds as sweet clover, hairy vetch, red clover, crested wheatgrass, smooth bromegrass, perennial ryegrass, and other grasses native to the areas affected by acreage reductions. The average retail price of all field seeds is expected to be slightly higher next spring than it was in the spring of 1961. This expectation is based on a slightly lower total supply of clean field seeds and the anticipated but as yet unmeasurable impact of crop-acreage reduction on the demand for various soil-conserving crops. Higher prices than a year ago are expected next spring for such seeds as lespedeza, red clover, alfalfa, sweet clover, Kentucky bluegrass, crested wheatgrass, hairy vetch, and lupine. Lower prices are expected for white clover, smooth brome, the fescues, Austrian winter peas, and purple vetch. Prices of other field seeds are expected to change little.

On the supply side, weather in 1961 was mainly favorable for seed production except in the Northern Plains States. An adequate supply of most hay, grain, and grass seeds is expected to be available for the 1961-62 season. A brief summary of the supply situation for some of the more important crop seeds follows:

The supply of alfalfa seed for the 1961-62 season (carryover July 1 plus 1961 production) is 10 percent smaller than last year and 16 percent smaller than the 1958-60 average. The 1961 production of more than 122 million pounds, combined with a carryover of 38 million pounds, exceeds last year's total disappearance by about 18 million pounds, but the margin between supply and disappearance may be less than average.

The supply of red clover seed is down 15 percent from last year and 5 percent below the 1958-60 average. The relatively low production of 69 million pounds, when combined with a carryover of 33 million pounds, will provide an adequate quantity of seed if total disappearance approximates last year's 91 million pounds.

High prices for lespedeza seed have resulted in a greater seed harvest this year than in 1960, a year of short supply. While no official estimates have been released, the supply of lespedeza seed may be 15 percent greater than a year earlier.

The supply of Chewings, red, and tall fescue has increased 16 percent over 1960 and 43 percent above the average for 1958-60. Imports of red fescue from Canada, which normally produces more red fescue seed than the United States, will be needed to augment domestic supplies if disappearance exceeds 15 million pounds. Liberal supplies of tall fescue, however, are anticipated.

The supply of Kentucky bluegrass is expected to be 36 percent less than a year earlier, largely because of unfavorable weather conditions in the major production areas. The 1961 production is estimated to be only 26 percent of the 1960 production, but when combined with a relatively large carryover, it will provide more than 24 million pounds of seed for the 1961-62 season, as compared with a total 1960 disappearance of 22 million pounds. A 1960 level of imports would assure an adequate supply of bluegrass seed but at somewhat higher price levels than in the 1960-61 season.

The 1961-62 supply of smooth brome is slightly over 22 million pounds of clean seed. This is 22 percent higher than a year earlier but slightly below the 1958-60 average. Crested wheatgrass seed follows a similar pattern in that supplies this year are 15 percent greater than in 1960, but are 20 percent below the 3-year average. Supplies of both seeds may be bolstered by imports from Canada.

The total supply of winter cover crop seeds is expected to be about the same as last year and slightly above the 1958-60 average. A plentiful supply of Austrian winter peas is forecast. Carryover plus production is 33 percent larger than last year and 46 percent above the average of the last 3 years. The supply of common, purple, and hairy vetch combined is 9 percent less than the 1958-60 average supply. Supplies of hairy and common vetch are 17 percent below the 3-year average, whereas supplies of purple vetch are 24 percent above average. While no forecasts of ryegrass production have been made, March intentions reports from Oregon indicated a 15-percent decline in harvested acres. But favorable weather in this major producing area and anticipated high yields per acre, combined with an above-average carryover, suggests an adequate supply for the 1961-62 season.

A short supply of sweet clover seed is expected for the 1961-62 season. Drought in the Northern Plains, reduced harvested acreage throughout the producing area, and low prices were important factors resulting in a 40-percent decline in the 1961 harvest of sweet clover. The reported supply (July 1 carryover plus estimated 1961 production) of about 26 million pounds of clean seed represents a reduction of 44 percent from 1960 and 42 percent from the average 1958-60 supply. Imports of sweet clover seed from Canada during each of the last 3 years have totaled about 10 million pounds.

From a longer run viewpoint, the prevailing trend in seed prices has been downward for most of the last decade. Prices paid for seed declined about 20 percent between 1952 and 1961. Total expenditures for seeds have leveled off since 1952, because increases in quantities purchased were offset by lower prices. Total expenditures by farmers for purchased seeds, bulbs, plants, and trees totaled $538 million in 1960, not including seeds that were produced on the farms where they were used.

Feeder and Replacement Livestock

Prices paid by farmers for feeder and replacement livestock in the first 10 months of 1961 averaged the same as in the first 10 months of 1960. Also, prices paid for feed and prices received for livestock and livestock products averaged the same as a year earlier. Furthermore, the seasonal pattern of prices paid by farmers for livestock was similar in the 2 years. Prices were highest in the early part of each year, reaching a peak in March or April, then declining to a low point in July or August. In 1960, prices rose each month from August to December. From August to October 1961, prices rose from the low point of the year in July. This rise in prices of replacement livestock in recent months accompanied the rise in prospects for a much larger corn crop than was anticipated when livestock prices were at their low for the year. A strong demand for replacement livestock is expected for the rest of the year.

In October 1961, prices paid for feeder and stocker cattle and calves and milk cows were higher than a year earlier; prices paid for feeder lambs, hogs and baby chicks, were lower (table 10). Prices paid for all kinds of livestock averaged 3 percent higher in October than a year earlier.

Table 10. - Prices paid by farmers for replacement livestock, 1960-61

Class	October 1960	December 1960	April 1961	October 1961
	Dollars	Dollars	Dollars	Dollars
Feeders and stockers:				
Cattle and calves, per cwt.	22.00	24.00	23.70	23.40
Lambs, per cwt.	16.30	16.80	16.20	14.80
Hogs, per cwt.	18.10	17.40	18.20	17.50
Baby chicks, broiler breeds, straight run, per 100	12.60	12.70	11.20	8.74
Turkey poults, each	.555	.569	.626	.554
Milk cows, each	215.00	217.00	226.00	224.00
Index of prices paid for livestock, 1947-49=100	98	106	109	101

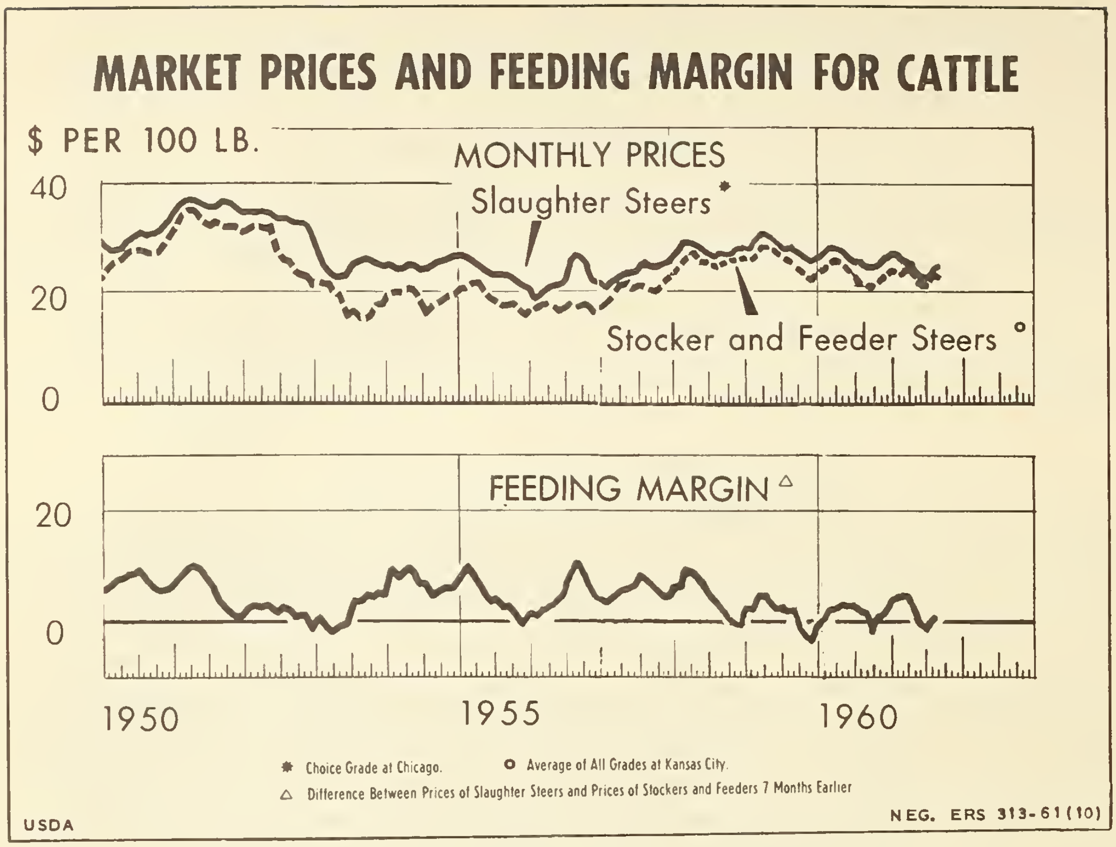


Figure 6

Prices of stocker and feeder steers declined from April to July, but prices of fat cattle declined about the same amount. Feeding margins disappeared during those 4 months. Since July, prices of fat cattle have risen more than those of stockers and feeders. Feeding margins also rose slightly -- from below zero to slightly above (fig. 6).

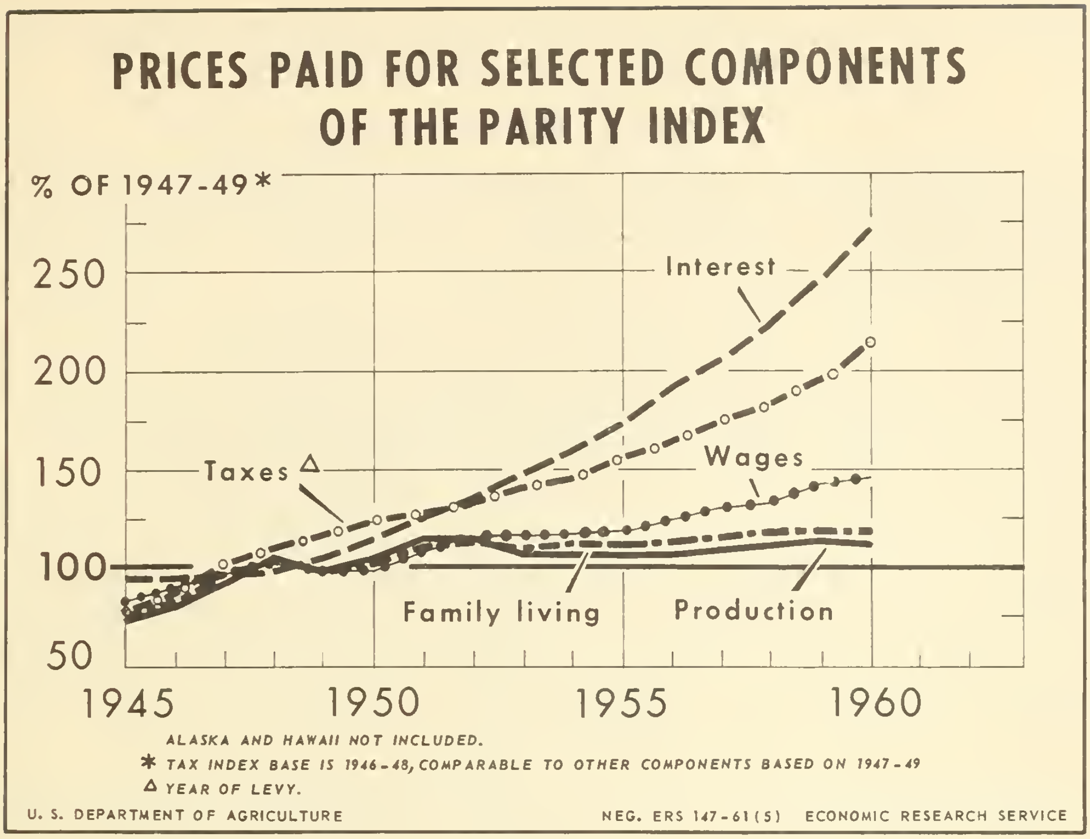
With a big corn crop in prospect, demand for feeder cattle will be strong, supplies of beef will be ample, and feeding margins are likely to remain small.

OVERHEAD COSTS

Property Taxes

Taxes levied on farm real estate in 1960 (payable largely in 1961) increased 6 percent over 1959. Advance reports on 1961 levies indicate another increase of about 6 percent to $1,361 million. This would bring taxes per acre of farmland to $1.27 compared with $1.20 in 1960, and an average of $0.62 in 1947-49. Farm real estate taxes have risen faster since 1947-49 than almost any other component of the parity index (fig. 7).

Taxes on farm personal property have also been rising steadily. In 1961, levies on personal property are estimated at $277 million.


PRICES PAID FOR SELECTED COMPONENTS OF THE PARITY INDEX

ALASKA AND HAWAII NOT INCLUDED.
* TAX INDEX BASE IS 1946-48, COMPARABLE TO OTHER COMPONENTS BASED ON 1947-49
△ YEAR OF LEVY.

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Figure 7

During recent years, market values of farm real estate have risen about as rapidly as taxes. As a result, taxes in the 1953-59 period have held at around $0.90 per $100 of full value. In 1960, with relatively stable market values, taxes per acre rose to $0.99 per $100 of full value -- the highest level attained since before World War II.

The steady rise in farm property taxes during the last 19 years is a direct outgrowth of the steadily expanding revenue requirements of local governments, especially for schools. Rural communities, of course, are not alone in this regard. Total taxes paid on nonfarm property, in fact, have risen somewhat more rapidly since World War II than those paid on farm property. However, new investments in homes, industrial property, and the like, have increased substantially, thus providing a much larger tax base, while in agriculture the physical plant, especially land and buildings, has shown relatively little growth.

A continued rapid increase in State and local expenditures in the next decade is expected. For example, the Committee for Economic Development predicts that State and local government expenditures in fiscal 1968 will be about 50 percent greater (in constant dollars) than in 1958. Current tax rates are not expected to produce sufficient revenue to cover these expenditures; therefore, higher State and local tax rates are likely. Revenue requirements are expected to rise in rural areas as well as urban. The extent to which these requirements will be reflected in higher farm real estate taxes during the next decade will be governed largely by the type of taxes employed, and the degree to which the States undertake the financing of functions that are presently the responsibility of the local governments.

Interest

The total farm debt continued to increase during 1961 but interest rates on new loans have been lower than in 1960. Total interest payments are expected to rise in 1962 because of a further increase in farm debt and a possible slight upturn in interest rates.

The cost of money to the banks of the Farm Credit System tends to follow the rates in the central money market. Rates for marketable securities in the money markets declined slightly during early 1961, reaching a low in May. Since that time, money market rates have risen to slightly above their level at the beginning of the year. Yields to investors on 6-month debentures of the Banks for Cooperatives decreased from 2.87 percent in January 1961 to 2.70 percent in May and increased to 3.15 percent in September. Debentures of the Federal intermediate credit bank were sold in December 1960 to yield 3.00 percent. In May 1961, the yield to investors decreased to 2.95 percent but by August, the rate had increased to 3.20 percent. Longer term Federal land bank bonds also followed a similar trend. A 5-year issue was sold in October 1960 to yield 4.03 percent, compared with a similar issue sold in March 1961 to yield 3.91 percent, and an issue sold in September 1961 to yield 4.25 percent.

Interest rates paid by farmers on new mortgage loans have decreased during 1961. Since January 1, 10 of the 12 land banks have reduced their rates on new loans from 6 to 5-1/2 percent. Only one bank is still charging 6 percent and one is at 5-3/4 percent. The weighted average interest rate of 21 life insurance companies was 5.82 percent on loan commitments for the second quarter of 1961 compared with 6.05 percent for the fourth quarter of 1960.

A survey conducted by the American Bankers Association in September 1961 indicated that rates charged by bankers on their non-real-estate loans to farmers declined slightly in 1961. Bank rates in agricultural areas often respond very slowly to changes in the money market. Rates charged by the production credit associations have decreased considerably since a year ago but only slightly since the spring of 1961, as shown by the following distribution of associations by rates charged:

Rates	Sept. 1, 1960	Jan. 1, 1961	Apr. 1, 1961	July 1, 1961	Sept. 1, 1961
	Percent	Percent	Percent	Percent	Percent
5.0 to 5.9	2	4	6	8	8
6.0 to 6.9	47	74	79	80	82
7.0 to 7.9	47	21	14	12	10
8.0 to 8.9	4	1	1	0	0
Total	100	100	100	100	100

Table 11. - Interest payable and interest rates charged on farm-mortgage and short-term debt, United States, 1951-61

Year	Interest payable by farmers on-			Interest rates charged on- 1/				
	Farm mortgage debt	Short-term debt (excluding CCC)	Total debt	Farm mortgage loans, Jan. 1		Short-term loans, selected lenders (yearly average)		
				Total	FLB and FFMC	Banks 2/	PCA's 2/	CCC 3/
	Mil. dol.	Mil. dol.	Mil. dol.	Percent	Percent	Percent	Percent	Percent
1951	291	405	696	4.5	4.1	6.4	6.1	3.0
1952	319	455	774	4.6	4.1	6.5	6.3	3.5
1953	347	443	790	4.6	4.1	6.6	6.4	4.0
1954	373	435	808	4.6	4.1	6.6	6.4	3.5
1955	405	450	855	4.7	4.1	6.6	6.1	3.5
1956	446	474	920	4.7	4.1	6.7	6.2	3.5
1957	487	495	982	4.7	4.1	6.7	6.7	3.5
1958	527	544	1,071	4.8	4.2	6.7	6.8	3.5
1959	580	612	1,192	4.9	4.4	6.9	6.6	3.5
1960	636	676	1,312	5.0	4.6	7.0	7.3	3.5
1961 4/	680	708	1,388	---	---	---	---	---

1/ Average rates paid on loans outstanding.
2/ Includes fees and service charges.
3/ Rate for crops produced during year.
4/ Preliminary.

The recent declines in interest rates paid by farmers are in contrast to the general upward trend that prevailed throughout the decade ending with 1960 (table 11). The more rapid increases came toward the end of this period.

Interest charges paid by farmers in 1961 will probably total about $1,388 million, of which $680 million is interest on loans secured by real estate mortgages and $708 million is for interest on short-term debt (table 11). This is about 5 or 6 percent higher than the total payable in 1960. Interest charges on both types of loans have increased steadily in the last decade, and the 1961 total may be just about double that of 10 years before.

Insurance

As farms continue to grow in size and value, the premiums paid by farmers for property and liability insurance also continue to increase. The increased premiums are due primarily to increased amounts of insurance coverage being carried, rather than to higher premium rates. For their property insurance, including that against fire, windstorm, and the so-called "extended-coverage" perils (but excluding crop-hail insurance), farmers in the Corn Belt paid an average of about 25 cents per $100 of insurance in 1960, as compared with the 1956-59 average of 24.8 cents.

At current rates, a 75-percent coverage on buildings, machinery and equipment, and livestock, would cost a typical cash-grain farmer in the Corn Belt about $75 in annual premiums. Liability coverages on employees and in connection with motor vehicles and the general public would have cost him about the same amount. If he carried hail insurance on growing crops, he would have paid more for this coverage than for both of the other types put together. His total property insurance, including that on growing crops and liability coverages, probably would have cost him about $500. And this figure includes no premiums for personal insurance, such as life, health and sickness (including hospitalization), and disability-income protection.

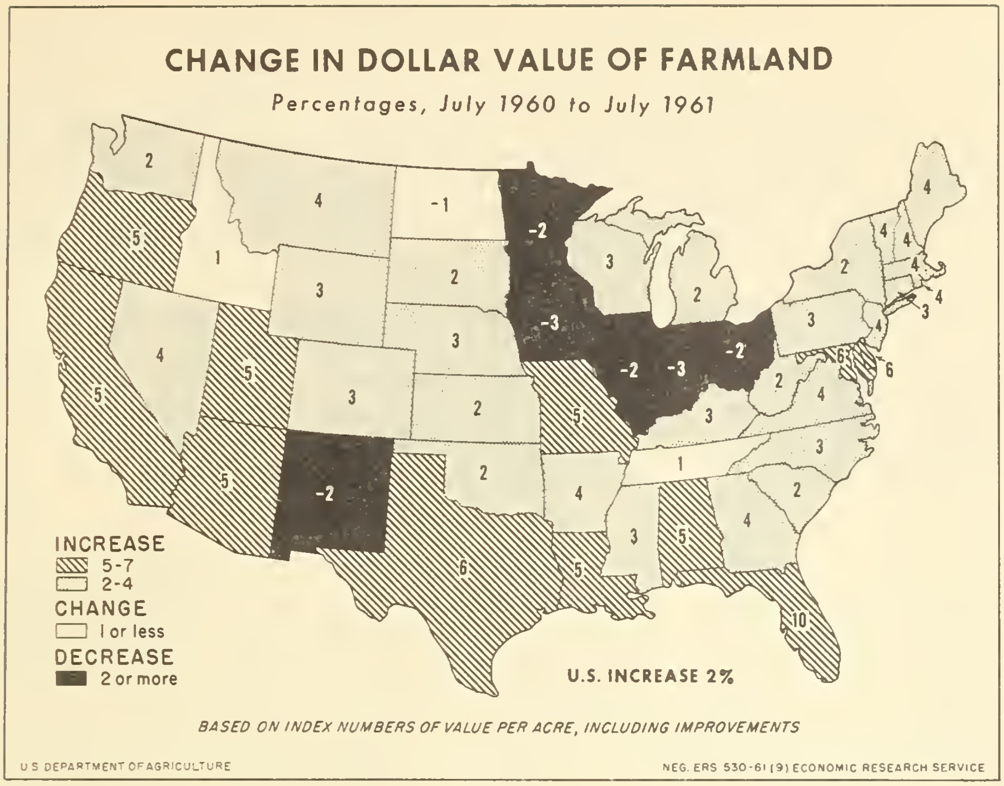
Many farmers pay total annual insurance premiums of more than $1,000. It is increasingly important that they buy their insurance wisely, after making rate comparisons, and that they protect themselves against the really castastrophic hazards (death, permanent disability, and lawsuit) and major losses (dwelling or barn, for example) before covering minor perils that can be met from an all-purpose reserve fund. Examples of these minor hazards include collision damage to an old car or truck and small windstorm losses. The farm operator can usually save money by using a deductible clause at a reduced rate, thus carrying these small risks himself.

REAL ESTATE

Market values of farm real estate were a little higher in the 4 months ending July 1, 1961, than in the comparable period of 1960. The downward trend that had prevailed in the Corn Belt last fall and winter was checked, and values continued to increase 2 or 3 percent during this period in 28 States outside this region. The national index for July advanced to 177 (1947-49=100), 1 percent above March and 2 percent above July 1960 (fig. 8).

Sale prices of farm real estate continue to vary widely within relatively small areas, and among the various regions of the country. The primary determinants of value are the kind and amount of farm buildings, the type of soil, and the location of the farm with respect to highways and cities, but many other factors affect the values placed on specific tracts of land. A sample of recent sales provides some indication of the relative importance of two of these factors (table 12).

Irrigated land is at the upper range of the price scale in all areas, although the premium over nonirrigated land is smallest in the Corn Belt, where the differences in incomes between the two classes of land are relatively slight


CHANGE IN DOLLAR VALUE OF FARMLAND
Percentages, July 1960 to July 1961
2
4
-1
4
5
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-2
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4
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2
2
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5
10
INCREASE
▨ 5-7
☐ 2-4
CHANGE
☐ 1 or less
DECREASE
■ 2 or more
U.S. INCREASE 2%
BASED ON INDEX NUMBERS OF VALUE PER ACRE, INCLUDING IMPROVEMENTS
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Figure 8

compared with areas having a lower average rainfall. In the Mountain Region, prices of irrigated cropland tend to be about three times those of nonirrigated lands. Highest prices for irrigated land occur in California, where orchards and vineyards involve considerable additional investments to bring into production.

Properties with buildings brought higher average prices in most areas of the country than those without buildings, but the difference was relatively small in the Corn Belt and wheat areas. In the eastern dairy and general farming areas, buildings usually represent one-third to one-half of the total market value of a farm. Dwellings, in particular, contribute significantly to sale prices in areas near major cities, where buyers often seek rural residences and part-time farms. Such buyers tend to value a farmhouse in relation to the cost of a similar house in town.

Active farmers seeking additional land to add to their farms continue to be the dominant source of demand for farmland. More than half of all sales occurring in the Corn Belt, wheat, and range livestock areas are for farm-enlargement purposes. Nationally, the proportion of farm-enlargement purchases has increased from about a fourth of all sales in 1950-54 to 46 percent in 1960-61. Thus, prices paid for farms and tracts for this purpose have increasingly set the level of prices for complete farming units. Analysis of the sales reported in 1960-61 showed no significant difference between prices paid for land for farm enlargement and those paid for complete farm units. It was evident, however, that tracts for enlargement were of smaller average acreage,

Table 12. - Sales of farm real estate: Average price per acre, by type of land and status of buildings, selected type-of-farming areas, 1961 1/

Area	Land in tract sold was chiefly- 2/			All land sold-	
	Irrigated cropland	Non-irrigated cropland	Pastureland	With buildings	Without buildings
	Dollars	Dollars	Dollars	Dollars	Dollars
Northeast dairy	3/	175	134	171	127
Lake States dairy	3/	162	82	164	119
General farming	3/	141	76	128	79
Eastern Corn Belt	3/	315	292	319	242
Western Corn Belt	237	190	138	187	158
Spring wheat	3/	64	28	48	50
Winter wheat	208	133	58	122	82
Central cotton	3/	124	60	99	79
Western cotton	295	113	48	86	4/ 124
Northern range livestock	245	82	37	105	4/ 74
Southern range livestock	151	55	41	43	4/ 78
California specialty	920	182	138	297	4/ 453

1/ Based on a sample of sales reported in the March 1961 survey, most of which probably occurred within the preceding 6 months.

2/ Disregarding presence or absence of buildings.

3/ Less than 25 sales.

4/ Type of land is more important than farm buildings in determining land prices in these areas.

less frequently had buildings, and were more often wholly cropland or pasture than were the sales of whole farms.

A substantial part of the demand for land for farm enlargement comes from farmers who are already operating larger than average farms in their communities. Thus, the primary incentive appears to be that of seeking fuller use of available equipment, labor, and management. Total returns can be increased by adding more land even though unit costs of production remain the same.

Most studies show that returns to capital invested in nonland inputs are substantially higher than the returns to capital invested in land at current prices. This is particularly true for fertilizer, irrigation, and improved management practices, which can often contribute more to gross output and to net returns than can farming additional land. By giving greater attention to such alternative uses of capital, many farmers who now have adequate acreages for a reasonable level of efficiency may find that more land is not the best choice at present prices.

COSTS BY TYPE OF FARM

Changes in prices of production items do not affect all farmers alike. Cost relationships differ by geographic areas, and the composition of the production input mix varies markedly from one type of farm to another. Thus, a look at the impact of these cost conditions on particular types of farms, representing important segments of the agricultural industry, is needed to round out the picture.

Total operating expenses per farm are expected to be higher in 1961 than in 1960 on four of the eight important representative types of farms in widely separated areas for which preliminary estimates of costs and returns were prepared for this publication (table 13 and fig. 9). The changes ranged from a decline of about 4 percent on representative wheat farms in the Northern and Southern Plains, to an increase of nearly 8 percent on dairy farms in the central Northeast.

On most of these farms, prices paid in 1961 for goods and services used in production averaged near that for the previous year. The largest increase was on tobacco-cotton farms in the Coastal Plain of North Carolina, chiefly because of the larger amounts of labor hired. A very slight decline from 1960 to 1961 occurred on cattle ranches in the Intermountain Region, mainly because of lower grazing fees and feed prices. As a group, prices paid in 1961 for goods and services changed little from 1960 on these eight types of farms for which estimates have been prepared. Prices paid by operators of these farms for farm machinery and motor supplies are up slightly, but prices of motor vehicles and building and fencing materials are a little lower than they were last year.

Operating expenses per unit of production vary considerably from year to year, primarily because of the effect of weather on production and to a lesser extent on account of variation in prices paid for production items. Operating expenses per unit of production have risen fairly steadily since before World War II on most of these types of farms (table 14). These increases have been much more pronounced on some types of farms than others. The largest increases have occurred on farms with the smallest gains in production efficiency, and where the trend has been toward the use of larger amounts of those inputs that have gone up most in price. Operating expense per unit of production is expected to be a record high in 1961 for wheat-small grain-livestock farms in the Northern Plains because of a combination of near-record low yields and high prices paid for production items. It is expected to average higher in 1961 than in the previous year on six of the eight types of farms, and about the same as in 1960 on the other two types.

There has been a substantial reduction in inputs per unit of production on these farms since before World War II (table 15). In any particular year, a drop in inputs per unit of output might be due to unusually favorable production conditions, but as a trend over a period of years, it generally represents a gain in production efficiency. Much of the gain that has taken place on these farms is due to adoption of labor-saving devices, better cropping practices, more effective pesticides, antibiotics, better seeds, and the like.

Table 13. - Costs and returns, selected types of farms, 1960, and preliminary, 1961

Item	Unit	Dairy farms, Central Northeast		Hog-dairy farms, Corn Belt		Poultry farms, New Jersey		Cotton farms, Black Prairie, Texas	
		1960	1961	1960	1961	1960	1961	1960	1961
Size of farm as measured by:									
Cropland	Acre	84	84	109	96	---	---	124	125
Cows	Number	28.8	30.2	---	---	---	---	---	---
Layers	do.	---	---	---	---	4,800	4,920	---	---
Total labor used	Hour	4,400	4,430	4,420	4,000	5,700	5,700	2,840	2,860
Hired labor	do.	840	820	440	440	900	1,000	580	610
Total farm capital, Jan. 1	Dollar	40,600	40,600	56,240	56,900	55,730	57,620	37,760	36,540
Land and buildings	do.	21,200	21,300	38,800	38,920	46,850	47,830	31,920	30,900
Machinery and equipment	do.	7,200	7,300	7,140	7,270	1,920	1,920	3,500	3,450
Livestock	do.	9,700	9,400	6,360	7,040	6,960	7,870	1,840	1,720
Crops	do.	2,500	2,600	3,940	3,670	---	---	500	470
Gross farm income	do.	12,341	13,169	11,939	13,191	29,738	28,757	6,123	6,443
Operating expenses	do.	8,280	8,927	7,323	7,371	25,276	25,554	3,958	3,936
Net farm income	do.	4,061	4,242	4,616	5,820	4,462	3,203	2,165	2,507
Index numbers (1947-49=100):									
Gross farm income	Percent	140	149	120	132	110	107	100	106
Net farm income	do.	106	110	86	108	75	54	70	81
Net farm production	do.	150	158	138	136	157	159	117	109
Operating expense per unit of production	do.	115	115	113	115	78	77	113	120
Total cost per unit of production	do.	117	115	114	116	82	81	118	125
Prices received for products sold	do.	95	94	81	87	70	66	85	93
Prices paid, including wages	do.	120	120	123	124	83	83	120	121

		Tobacco-cotton farms, Coastal Plain, N. C.		Wheat-sm. grain-livestock farms, Northern Plains		Wheat farms, Southern Plains		Cattle ranches, Intermountain Region	
		1960	1961	1960	1961	1960	1961	1960	1961
Size of farm as measured by:									
Cropland	Acre	46	46	569	576	560	563	---	---
Cows	Number	---	---	---	---	---	---	137.9	138.8
Layers	do.	---	---	---	---	---	---	---	---
Total labor used	Hour	5,930	5,880	2,810	2,650	3,040	2,970	5,210	5,130
Hired labor	do.	1/ 3,360	1/ 3,330	430	380	360	340	1,210	1,130
Total farm capital, Jan. 1	Dollar	25,250	25,930	51,630	52,450	91,270	94,970	87,930	88,910
Land and buildings	do.	20,700	21,300	34,910	35,860	73,660	77,020	34,870	36,260
Machinery and equipment	do.	3,170	3,240	11,340	11,200	9,900	10,230	5,750	5,940
Livestock	do.	650	600	3,320	3,730	5,900	5,180	42,060	41,160
Crops	do.	730	790	2,060	1,660	1,810	2,540	5,250	5,550
Gross farm income	do.	8,517	8,857	10,698	7,452	16,602	16,740	17,346	16,660
Operating expenses	do.	5,026	5,154	6,309	6,033	6,104	5,879	7,773	7,710
Net farm income	do.	3,491	3,703	4,389	1,419	10,498	10,861	9,573	8,950
Index numbers (1947-49=100):									
Gross farm income	Percent	120	125	101	70	119	120	148	142
Net farm income	do.	109	115	71	23	107	111	111	104
Net farm production	do.	105	102	131	73	141	131	138	130
Operating expense per unit of production	do.	124	130	104	174	100	103	165	172
Total cost per unit of production	do.	123	128	105	178	105	112	122	129
Prices received for products sold	do.	120	126	74	89	85	90	98	99
Prices paid, including wages	do.	135	141	122	126	128	130	134	133

1/ Includes cropper labor.

Table 14. - Operating expense per unit of production, specified types of commercial farms, 1960, with comparisons 1/

(Index numbers 1947-49=100)

Type and location of farm	Average 1937-41	Average 1945-49	Average 1950-54	Average 1955-59	1960 2/
Dairy farms:					
Central Northeast	52	94	104	105	115
Eastern Wisconsin	46	91	106	104	106
Western Wisconsin	45	93	101	95	100
Dairy-hog farms, Southeastern Minnesota	45	92	109	104	117
Corn Belt farms:					
Hog-dairy	47	91	107	102	113
Hog-beef raising	49	91	111	106	120
Hog-beef fattening	43	87	122	118	132
Cash grain	48	90	118	115	111
Poultry farms, New Jersey (egg-producing)	---	96	96	85	78
Cotton farms:					
Southern Piedmont	49	94	114	106	112
Black Prairie, Texas	38	93	123	117	112
High Plains, Texas (nonirrigated)	44	97	159	105	77
High Plains, Texas (irrigated)	---	100	117	106	92
Mississippi Delta (small)	---	91	131	130	132
Mississippi Delta (large-scale)	---	98	108	91	84
Peanut-cotton farms, Southern Coastal Plains	---	93	127	125	121
Tobacco farms:					
Tobacco-cotton, North Carolina	---	95	118	120	124
Kentucky Bluegrass:					
Tobacco-livestock, inner area	---	89	114	132	143
Tobacco-dairy, intermediate area	---	89	116	135	151
Tobacco-dairy, outer area	---	90	118	130	140
Spring wheat farms, Northern Plains:					
Wheat-small grain-livestock	61	86	117	103	104
Wheat-corn-livestock	60	86	121	115	93
Wheat-roughage-livestock	88	87	123	122	91
Winter wheat farms:					
Wheat, Southern Plains	91	91	122	130	100
Wheat-grain sorghum, Southern Plains	91	96	168	141	84
Wheat-pea, Washington and Idaho	60	87	109	114	118
Wheat-fallow, Washington and Oregon	64	88	115	121	124
Cattle ranches:					
Northern Plains	65	83	121	127	127
Intermountain region	47	87	144	136	165
Southwest	---	93	137	112	98
Sheep ranches:					
Northern Plains	50	84	116	109	108
Southwest	---	89	132	104	78

1/ Exclusive of charges for capital and unpaid labor.

2/ Preliminary.

Table 15. - Input per unit of production, specified types of commercial farms, 1960 with comparisons 1/

(Index numbers 1947-49=100)

Type and location of farm	Average 1937-41	1945-49	1950-54	1955-59	1960 2/
Dairy farms:					
Central Northeast	104	101	93	87	87
Eastern Wisconsin	101	101	90	82	77
Western Wisconsin	104	103	87	77	75
Dairy-hog farms, Southeastern Minnesota	104	102	89	77	77
Corn Belt farms:					
Hog-dairy	109	100	92	82	85
Hog-beef raising	106	101	94	82	85
Hog-beef fattening	104	99	98	94	90
Cash grain	103	98	97	85	75
Poultry farms, New Jersey (egg-producing)	---	105	95	93	92
Cotton farms:					
Southern Piedmont	108	99	99	84	85
Black Prairie, Texas	104	107	108	100	88
High Plains, Texas (nonirrigated)	105	117	158	98	66
High Plains, Texas (irrigated)	---	116	111	96	79
Mississippi Delta (small)	---	103	111	100	96
Mississippi Delta (large-scale)	---	105	100	86	79
Peanut-cotton farms, Southern Coastal Plains	---	104	101	87	79
Tobacco farms:					
Tobacco-cotton, North Carolina	---	101	101	96	92
Kentucky Bluegrass:					
Tobacco-livestock, inner area	---	99	98	102	103
Tobacco-dairy, intermediate area	---	99	94	91	89
Tobacco-dairy, outer area	---	99	95	91	91
Spring wheat farms, Northern Plains:					
Wheat-small grain-livestock	148	96	109	88	82
Wheat-corn-livestock	126	97	107	98	77
Wheat-roughage-livestock	177	96	110	103	75
Winter wheat farms:					
Wheat, Southern Plains	177	98	108	111	79
Wheat-grain sorghum, Southern Plains	183	106	152	125	64
Wheat-pea, Washington and Idaho	115	93	90	90	93
Wheat-fallow, Washington and Oregon	124	97	97	100	100
Cattle ranches:					
Northern Plains	129	94	97	99	97
Intermountain region	101	97	104	89	92
Southwest	---	97	117	109	85
Sheep ranches:					
Northern Plains	109	93	95	87	80
Southwest	---	95	118	107	80

1/ Includes charges for capital and unpaid labor.
2/ Preliminary.

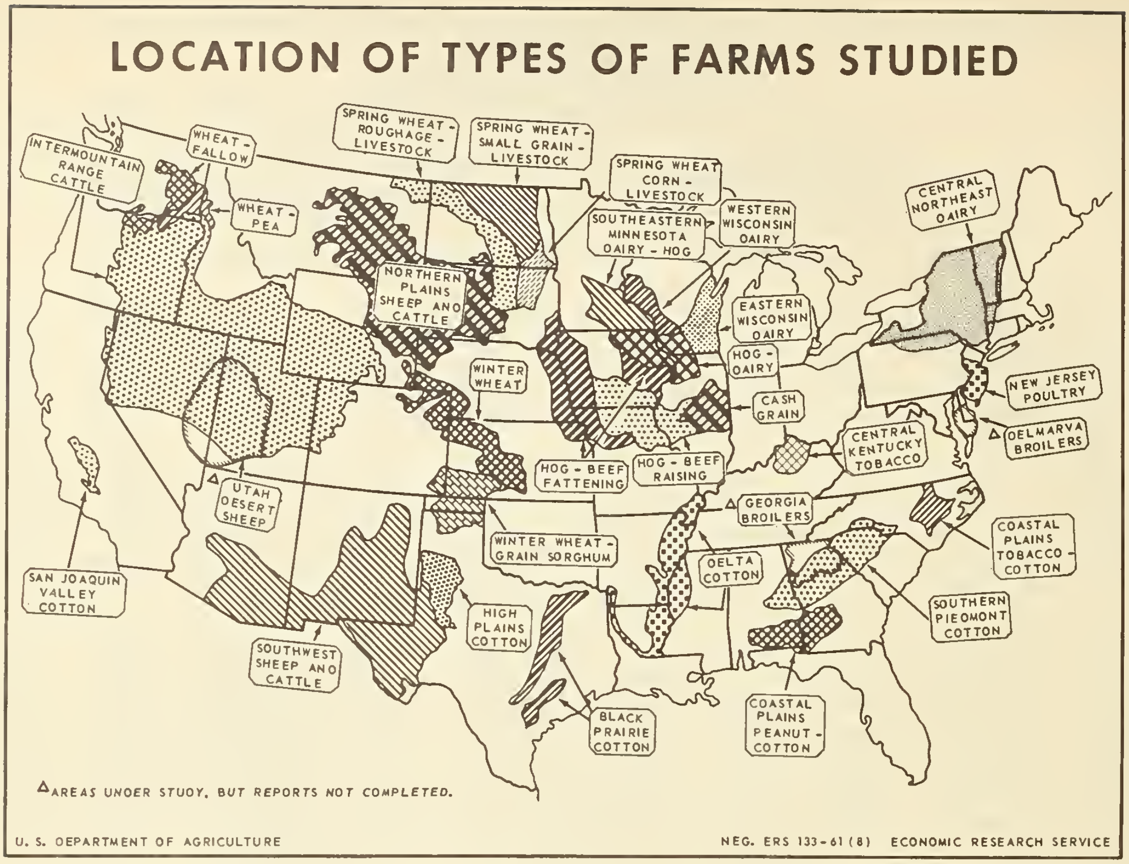
LOCATION OF TYPES OF FARMS STUDIED
INTERMOUNTAIN RANGE CATTLE
WHEAT-FALLOW
WHEAT-PEA
SPRING WHEAT-ROUGHAGE-LIVESTOCK
SPRING WHEAT-SMALL GRAIN-LIVESTOCK
SPRING WHEAT CORN-LIVESTOCK
SOUTHEASTERN MINNESOTA DAIRY-HOG
WESTERN WISCONSIN DAIRY
CENTRAL NORTHEAST DAIRY
NORTHERN PLAINS SHEEP AND CATTLE
EASTERN WISCONSIN DAIRY
HOG-DAIRY
WINTER WHEAT
CASH GRAIN
NEW JERSEY POULTRY
CENTRAL KENTUCKY TOBACCO
△DELMARVA BROILERS
HOG-BEEF FATTENING
HOG-BEEF RAISING
△UTAH DESERT SHEEP
△GEORGIA BROILERS
WINTER WHEAT-GRAIN SORGHUM
COASTAL PLAINS TOBACCO-COTTON
DELTA COTTON
SAN JOAQUIN VALLEY COTTON
HIGH PLAINS COTTON
SOUTHERN PIEDMONT COTTON
SOUTHWEST SHEEP AND CATTLE
BLACK PRAIRIE COTTON
COASTAL PLAINS PEANUT-COTTON
△AREAS UNDER STUDY, BUT REPORTS NOT COMPLETED.
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Figure 9

Heavier rates of fertilization have also helped to produce higher crop yields, and larger capacity machines have made it possible to increase the size of the farm operation.

Dairy Farms, Central Northeast

Total operating expenses on representative commercial dairy farms in the Northeast will be at a record high in 1961, probably 8 percent above the previous record set in 1960 (table 13). Most of the increase is due to greater quantities of inputs purchased. Prices paid by these dairymen for goods and services used in production will average near the record set last year. The increase over 1960 in operating expenditures is expected to about equal the rise in gross farm production. Thus, operating expenses per unit of production will be about the same as last year.

Prices paid for feed are expected to average about 2 percent higher on these farms in 1961 than last year, but total expenditures for feed will be about 14 percent higher. Larger dairy herds, coupled with an increase in concentrates fed per cow, will account for about 85 percent of the increase in feed expenditures.

The total volume of milk sold per farm this year will be about 7 percent higher than in 1960, largely because of the increase in cow numbers. Prices received for milk sold by these dairymen will average slightly below last year, and the milk-feed ratio (the pounds of concentrate ration equal in value to 1 pound of milk) is expected to be about 3 percent below 1960. Lower milk prices, together with a decline in prices of cull cows and veal calves, are expected to bring about a lower index of prices received by these dairymen than in 1960.

Although operating expenses in 1961 may take about the same percentage of each dollar of gross income on these farms as last year, the higher volume of production is expected to push net farm incomes up about $200.

Hog-Dairy Farms, Corn Belt

Operating expenses on representative hog-dairy farms in 1961 are expected to average about the same as last year's record level (table 13). Factors tending to increase operating expenses this year are the higher prices paid by operators of these farms for production inputs and the larger livestock enterprise. An offsetting factor is a reduction of crop acreage as a result of participation in the Feed Grain Program. Acres of cropland harvested on these farms in 1961 fell almost 12 percent below last year.

Net farm production declined only moderately, as crop yields and hog production increased sharply. The smaller farm production probably will raise operating expenses per unit of production above last year.

Higher hog and milk prices in 1961 will likely result in an increase of about 7 percent in the index of prices received by these hog-dairy farmers. This is due partly to higher prices for the smaller hog marketings last spring and partly to higher support rates for manufactured milk. This increase in average prices received will more than offset the smaller farm production, and is expected to raise net farm income about 26 percent above that of 1960. However, the 1961 net farm income for hog-dairy farms will still be about 16 percent below the record year of 1958.

Egg-Producing Farms (New Jersey)

Operating expenses on representative commercial poultry farms in New Jersey are expected to be slightly higher in 1961 than in 1960, mainly because of an increase in flock size (table 13). Prices of feed probably will average about the same as in 1960. Purchased feed is by far the most important production item on these farms. Feed expenditures for the laying and replacement flock comprise about 73 percent of total cash expenses, and a change of 10 cents per 100 pounds of feed makes a difference of about $545 on the annual feed bill. Chick prices this year probably will show a slight decline from 1960. Expenditures for other supplies are expected to average slightly higher than in 1960 because of the small increases in quantities purchased. The cost of production per dozen eggs in 1961 is expected to be about the same as in the previous year.

Prices received for eggs sold from these farms averaged about 9 cents per dozen higher in the first quarter of 1961 than in the first quarter of 1960. They declined during the next 6 months, and averaged 2.5 cents per dozen lower than in the April-September period of 1960. Egg prices during the last quarter of 1961 are expected to be about 8 cents below the comparable period in 1960. Production per layer this year is expected to be about the same as in 1960.

These poultry farms are highly specialized. Egg sales comprise about 95 percent of total cash receipts. A change in egg prices of one cent per dozen means about $700 difference in annual egg receipts. An increase in the rate of lay of one egg per bird will affect total egg sales by $135 with no change in egg prices.

If the lower egg prices are realized in the final quarter, net farm income on these poultry farms may average about $3,200 for 1961.

The disastrous year of 1959 is still affecting the poultry industry in New Jersey. Many egg producers did not replace their old layers with pullet flocks at the normal rate, and some have not filled their laying houses to capacity. Even with the relatively favorable price-cost relationships in 1960, a number of producers have gone out of business.

Cotton Farms, Black Prairie, Texas

Total operating expenses in 1961 on representative commercial cotton farms in the Black Prairie of Texas are expected to be about the same as in 1960 (table 13). Lower per acre yields of cotton and a reduction in the acreage of corn and grain sorghum almost offset the effect of the 3.7-acre increase in cotton harvested. More than a fourth of the 1960 acreage of corn and grain sorghum was put in the Feed Grain Program. However, record yields of corn, oats, and grain sorghum are expected this year. Despite higher yields of feed grains, net farm production is expected to be about 7 percent below that of 1960. Operating expenses per unit of production may be about 6 percent higher than in 1960.

If prices received for cotton lint and seed remain the same as in mid-October, net farm income will be about 16 percent higher this year than last. Most of this increase will be due to the higher prices received for cotton, corn, and hogs. Prices received may average 9 percent higher than in 1960. Prices paid for goods and services used in production are expected to average only slightly higher than a year earlier.

Tobacco-Cotton Farms, Coastal Plain, North Carolina

Operating expenses on representative tobacco-cotton farms in the Coastal Plain of North Carolina in 1961 are estimated to be nearly 3 percent higher than those of last year (table 13), chiefly because of the higher prices paid for production inputs and the larger acreage of cotton. Coastal Plain farmers paid higher prices than in 1960 for fertilizer, hired labor, machinery, and repairs. Costs of operating motor vehicles were also higher than in 1960. A reduction in inputs because of a smaller acreage of corn was largely offset by the increased inputs necessary for the larger cotton acreage in 1961.

Even with higher operating expenses, net farm income is expected to be a little higher than in 1960. The yield of tobacco is down about 70 pounds per acre from 1960, but cotton yields are expected to be up nearly 20 percent. The price received for tobacco in 1961 is estimated to be about 5 percent above the season-average price for 1960. This increase in price will more than offset the lower yield and tobacco receipts probably will be slightly above those [illegible] 1960.

With an increase in production of cotton, higher cash receipts are also expected from this crop than last year.

Wheat-Small Grain-Livestock Farms, Northern Plains

Beginning in the fall of 1960 and continuing through the 1961 growing season, the Northern Plains area experienced the most severe drought since the thirties.Crop production was severely curtailed and some local areas had almost complete crop failures. Because of the drought, less labor and machinery time was used for summer fallow and for spraying and harvesting operations. Crop yields were nearly 50 percent below those of 1960, and net farm production will probably be down by more than 40 percent.

Total operating expenses on representative wheat-small grain-livestock farms in the Northern Plains are expected to average about $6,033 in 1961, only slightly less than in 1960. Increases in prices paid for goods and services will largely offset the decrease in inputs of labor, machinery, and spray material.

Net farm income on these farms is estimated at $1,420 in 1961, about a third of the 1960 figure and the lowest since 1940. Higher crop prices partly made up for the poor yields of wheat and flax. Hog prices also are expected to average slightly higher, but cattle prices may be a little lower than in 1960.

Some farmers will find it necessary to reduce the size of their livestock enterprises because of short feed supplies, even though they were allowed to cut hay from land in the conservation reserve.

Winter Wheat Farms, Southern Plains

Total operating expenses on winter wheat farms in the Southern Plains are expected to average about 4 percent lower in 1961 than in 1960 (table 13). However, production is expected to be down about 7 percent, so that operating expenses per unit of production may be about 3 percent higher than last year. Total cash inputs used in production were down about 6 percent this year, even though prices paid for most cost items were about the same.

The smaller production was due primarily to a cut of about a third in the acreage of sorghum. Crop yields averaged about the same as in 1960. The yield of wheat on these farms averaged 23 bushels in 1961 as compared with 25 bushels a year earlier. Sorghum is expected to yield around 32 bushels, up 2 bushels from a year ago. The acreage in wheat remained unchanged -- it is kept close to the limit of the allotments. The reduction in acreage of sorghum stems from the Feed Grain Program. It is estimated that the payment to operators of these winter wheat farms for participating in this program in 1961 will amount to $390 per farm.

Prices received for products sold are expected to average about 6 percent higher in 1961, gross income 1 percent higher, and net farm income 4 percent above that for 1960.

Cattle Ranches, Intermountain Region

Operating expenses on representative Intermountain cattle ranches probably will average about the same in 1961 as a year earlier (table 13). However, they will be at a high level, more than double the average for 1947-49, and considerably above the 1950-59 average. Higher operating expenses in the last few years are due mainly to the recent droughts in many sections of this area, which forced ranchers to make greater outlays for feed. Ranchers in some parts of the area have been plagued with drought for 3 years, and many have had to reduce their breeding herds and purchase considerable feed besides. Range conditions were very poor in the earlier part of 1961 and many parts of this area were declared disaster areas.

Net ranch production (total production less feed, seed, and livestock bought) in 1961 will probably average around 6 percent below that of last year and 8 percent below that of 1959. As a result, operating expense per unit of production on these ranches in 1961 probably will average about 4 percent above a year earlier and the highest on record.

These ranchers are primarily producers of feeder calves, which are sold to feeder operators for further growth and fattening. Prices paid for feeder cattle strengthened in 1961 and average slightly higher than a year earlier. The number of feeders sold by these ranchers was relatively high in 1961 but not as great as in 1960. As a result, total receipts from cattle this year probably will average about 5 percent below those of 1960. Ranchers sold off some of their breeding stock in 1961, and inventories of cattle at the end of the year will be slightly below those of January 1, 1961.

Quantities of hay purchased by these ranchers in 1961 remained fairly large, but average prices paid for hay and grazing fees (the latter is tied to prices received for cattle a year earlier) eased a little from 1960 levels. As a result, the overall average of prices paid for items used in production is expected to be slightly lower this year than last. These ranchers are holding total expenditures down this year, mainly by severely restricting their purchases of nonfarm inputs. Consequently, net ranch income in 1961 is expected to average only about 7 percent below a year earlier and about 4 percent above the 1947-49 average.

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